Building High-Net-Worth Knowledge Through the CPWA Certification

FEBRUARY 2018

Prepared for:

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IMPACT POINTS

- This report identifies and quantifies the value of the Certified Private Wealth Advisor® (CPWA®) certification to financial advisors, team practices, and clients. The analysis, commissioned by the Investments & Wealth Institute™ (formerly IMCA), is based on an Aite Group financial advisor survey fielded in April and May 2017 to two distinct advisor groups: CPWA professionals and a separate group of financial advisors who work primarily with individuals and families. The CPWA survey gathered input from 436 advisors, including 77 with a CPWA certification.

- Approximately 43% of the advisor population with neither Certified Investment Management Analyst® (CIMA®) nor CPWA certification has at least two designations, while the majority of CPWA professionals are more likely to have an additional designation (77% have at least two designations).

- Of five prominent designations held by financial advisors, the CPWA certification is rated among the top three worthwhile investments of time and effort. Fifty-one percent of Certified Financial Planner® (CFP®) and CPWA professionals strongly agree that obtaining their respective certifications was worth their time and effort.

- The financial advisors who are members of CPWA practices (defined as having at least one practice member with a CPWA certification) report earning a higher annual income compared to financial advisors who are members of practices with no CPWA certification. Seventeen percent of advisors at CPWA practices earn more than US$380,000, while only 7% of advisors at practices with no CPWA-certified advisors earn the same—a significant difference.

- CPWA practices report higher revenue growth over a five-year period than do non-CPWA practices. Thirty percent of practices that have at least one CPWA professional report more than 10% revenue growth over the last five years, compared to 18% of practices with no CPWA-certified advisors.

- More CPWA practices identify themselves as financial planning firms than any other type of firm, followed by wealth managers and investment managers. Three in 10 indicate that their business is financial planning, while two in 10 state that their firm is an investment management or wealth management firm.

- The average CPWA team practice manages US$438 million in client assets (Figure 24) and generates US$2.1 million in revenue. Team practices generate more assets per client than do other practices.

- The mean assets per client of CPWA practices is nearly four times the assets per client of non-CPWA practices, and revenue generated over the last 12 months is 43% higher for practices with CPWA professionals than it is for other financial advisors.
• CPWA team practices manage more of their clients’ investments on a non-discretionary advisory basis than do practices with no CPWA members, which manage more of their clients’ investments on an advisor-directed model. CPWA practices invest almost half (43%) of their client assets in fixed annuities, mutual funds, stocks, and exchange-traded funds (ETFs).

• Among respondents who do not hold the CPWA certification, 21% are very familiar with the CPWA certification, while 26% are not familiar at all with the certification. Of the financial advisors who do not have a CPWA certification and are not currently working on obtaining it (but are familiar with it), 42% said they may start working toward the CPWA certification. The top reason is that they want to add expertise and skills to their team, followed by an interest in enhancing their investment management knowledge.
INTRODUCTION

Financial advisors interested in serving high-net-worth individuals typically focus on obtaining multiple certifications to differentiate themselves. There are many designations to choose from, each with its own focus and benefits. This report looks at the value of CPWA certification to team practices, advisors, and clients. It compares CPWA professionals to advisors and practices without CPWA and CIMA certifications. While the CPWA certification is not widely held across financial advisors (slightly more than 1,400 professionals currently hold the certification), it presents significant benefits to financial advisory practices. The CPWA designation is owned and administered by the Investments & Wealth Institute (formerly IMCA), which is a professional association, advanced education provider, and certification board for financial advisors, investment consultants, and wealth managers who continuously strive for excellence and hold themselves to the highest ethical standards. CPWA certification enhances advisors’ skills to service high-net-worth clients, focusing on the life cycle of wealth: accumulation, preservation, and distribution.

CPWA certification is one of three certifications offered by the Investments & Wealth Institute—the other certifications are the Certified Investment Management Analyst® (CIMA®) certification and the Retirement Management AdvisorSM (RMASM) certification.

Aite Group was commissioned to identify and quantify the value of CPWA certification to practices, advisors, and clients in Q2 2017. This report presents the findings of Aite Group’s independent analysis comparing CPWA professionals and CPWA practices to advisors and practices without a CPWA certification. Quantitative metrics used for the comparisons include the following:

- Financial advisor income and compensation model
- Practice revenue, clients, and assets
- Target client segment
- Share of investment wallet

The report also shares the views of CPWA professionals on the contribution of CPWA certification to their practices, including their investment management knowledge and their confidence with offering investment management services to clients.

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1. The Investments & Wealth Institute™, IMCA®, Investment Management Consultants Association®, CIMA®, Certified Investment Management Analyst®, CIMC®, Certified Investment Management ConsultantSM, CPWA®, Certified Private Wealth Advisor®, RMASM, and Retirement Management AdvisorSM are trademarks of Investment Management Consultants Association Inc. doing business as the Investments & Wealth Institute. The Investments & Wealth Institute does not discriminate in educational opportunities or any other characteristic protected by law.
THE CPWA CERTIFICATION PROCESS

The CPWA certification may be obtained through third-party providers, including the University of Chicago Booth School of Business and the Yale School of Management. The Investments & Wealth Institute also conducts open-enrollment classes as well as private classes.

The CPWA certification program offers a challenging educational program focused on advanced wealth management topics, including behavioral finance, charitable and estate planning, planning for closely held business owners, planning for executives, portfolio management, retirement planning, risk management, and tax planning. The comprehensive curriculum provides the level of detail wealth managers and advisors need to know in order to better serve high-net-worth clients.

To maintain their certification, CPWA professionals are required to earn and report 40 hours of acceptable continuing education credit over a two-year period, including two hours in the field of ethics.

METHODOLOGY

The research findings in this Impact Report are based on an online Aite Group survey that was fielded between April and May 2017. A total of 436 advisors qualified to participate in the study by indicating that they primarily serve individual and family clients.

Two distinct groups of financial advisors participated:

- Twenty-nine professionals with CPWA certification were contacted by Investment & Wealth Institute.
- Three hundred sixty-nine financial advisors participated from several established online research panels, representing the general U.S. financial advisor population. Of this group, 77 have the CPWA certification.

Throughout the report, comparisons are made between advisors with a CPWA certification and those with neither a CIMA nor a CPWA certification. The latter group is referred to as “other advisors” or “non-CPWA advisors.” When comparing the groups, statistical tests of significance were conducted at either the 95% level of confidence or the 90% level of confidence, depending on the sizes of the samples being compared.
SURVEY POPULATION OVERVIEW

This section compares key demographic and professional characteristics of CPWA professionals and financial advisors from the general population survey.

AGE

The majority of CPWA professionals and the general advisor population fall between the ages of 31 and 50 (Figure 1).

Figure 1: Financial Advisors by Age Group

<table>
<thead>
<tr>
<th>Age Group</th>
<th>CPWA Professionals (n=77)</th>
<th>Other Advisors (n=279)</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 or under</td>
<td>13%</td>
<td>12%</td>
</tr>
<tr>
<td>31 to 40</td>
<td>34%</td>
<td>37%</td>
</tr>
<tr>
<td>41 to 50</td>
<td>27%</td>
<td>30%</td>
</tr>
<tr>
<td>51 to 60</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>61 to 70</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Over 70</td>
<td>1%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017

INDUSTRY EXPERIENCE

The proportion of advisors with at least 21 years of industry experience is higher among CPWA professionals than it is among the non-CPWA advisor population (Figure 2). CPWA professionals have 2.9 more years of experience than non-CPWA advisors. The mean CPWA professional has accumulated 13.5 years of industry experience, whereas other advisors have accumulated a mean of 12 years of experience.
Figure 2: Financial Advisors by Years of Industry Experience

Of those advisors with nine or more years of experience, 31% obtained their CPWA certification more than 10 years ago (Figure 3). Our research indicates that there is a significant difference between CPWA professionals and the population of non-CPWA advisors obtaining a graduate-level degree (34% versus 24%, respectively). This may reflect that CPWA professionals are more dedicated to obtaining additional levels of education.
Figure 3: CPWA Professionals—Industry Experience vs. Years With CPWA Certification

<table>
<thead>
<tr>
<th>Years of Industry Experience Compared to Years Since CPWA Certification Was Obtained</th>
<th>Across CPWA professionals (N=77)</th>
<th>9 years or more (n=52)</th>
<th>Less than 9 years (n=25)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obtained CPWA certification less than 6 years ago</td>
<td>55%</td>
<td>48%</td>
<td>68%</td>
</tr>
<tr>
<td>Obtained CPWA certification 6 to 10 years ago</td>
<td>22%</td>
<td>21%</td>
<td>24%</td>
</tr>
<tr>
<td>Obtained CPWA certification more than 10 years ago</td>
<td>23%</td>
<td>31%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017

COMPARISON BY FIRM TYPE

Firms represented in the survey are shown in Figure 4. Between 18% and 21% of CPWA professionals fall between the independent registered investment advisor (RIA), financial advisor with private bank, financial advisor with other self-clearing firm, and wirehouse financial advisor categories.

Figure 4: Representation of Firm Types—CPWA Professionals and Other Advisors

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017
BENEFITS OF CPWA CERTIFICATION TO ADVISORS

This section compares the benefits the CPWA certification can provide to financial advisors, including career satisfaction, the value of professional designations earned, and the differences in income, to those of non-CPWA advisors.

CAREER SATISFACTION

CPWA professionals show more satisfaction with their careers compared to advisors without CPWA certification; 47% of CPWA professionals surveyed indicate that they are very satisfied with their careers, whereas 21% of non-CPWA financial advisors say the same (Figure 5).

Figure 5: Career Satisfaction—CPWA Professionals vs. Non-CPWA Financial Advisors

Q. How satisfied are you with your career?

<table>
<thead>
<tr>
<th>CPWA professionals (n=77)</th>
<th>47%</th>
<th>53%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other advisors (n=279)</td>
<td>21%</td>
<td>79%</td>
</tr>
</tbody>
</table>

Very satisfied  Very unsatisfied to satisfied

Source Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017

THE VALUE OF OTHER PROFESSIONAL DESIGNATIONS

The majority of CPWA professionals interviewed have an additional designation (77% have at least two designations), while approximately 43% of non-CPWA professionals have at least two designations. The most commonly held designation for CPWA professionals is the CFP certification (32% of CPWA professionals), followed by the certified public accountant/Personal Financial Specialist (PFS) and the Chartered Financial Consultant (ChFC), each with 23% of CPWA professionals (Figure 6).
A plethora of financial designations is available to financial advisors. Obtaining the appropriate credentials can make the difference in being able to build a brand and reach out to sophisticated clientele. Choosing the best certification will depend on a financial advisor’s objectives. For example, advisors focusing on CPWA designation concentrate on households whose net worth is in excess of US$5 million and are more focused on holistic and multidisciplinary strategies rather than only one aspect, such as financial planning. This designation requires additional years of experience as an advisor.

Over 50% of advisors agree that obtaining multiple certifications was worth their time and effort. Of five prominent designations held by financial advisors, the CPWA certification is rated among the top three worthwhile investments of time and effort. Fifty-four percent of CIMA designees, followed by 51% of CFP and CPWA professionals, strongly agree that obtaining their certifications was worth their time and effort (Figure 7).

**Figure 6: Financial Designations Held—CPWA Professionals vs. Financial Advisors**

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017
Figure 7: The Value of Multiple Certifications

Q. How much do you agree with the following statement? The time and effort required to obtain and maintain the following certification(s) has been worthwhile.

<table>
<thead>
<tr>
<th>Certification</th>
<th>Strongly agree (%)</th>
<th>Agree (%)</th>
<th>Neither agree nor disagree (%)</th>
<th>Disagree (%)</th>
<th>Strongly disagree (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIMA (n=104)</td>
<td>54%</td>
<td>37%</td>
<td>6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CFP (n=68)</td>
<td>51%</td>
<td>37%</td>
<td>12%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CPWA (n=77)</td>
<td>51%</td>
<td>36%</td>
<td>12%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CFA (n=29)</td>
<td>41%</td>
<td>45%</td>
<td>14%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PFS (n=29)</td>
<td>31%</td>
<td>55%</td>
<td>10%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017

FINANCIAL ADVISOR INCOME

CPWA professionals report earning a higher annual income than do non-CPWA advisors. Seventeen percent of the advisors who hold a CPWA certification earn more than US$380,000, while 7% of non-CPWA advisors do the same—a significant difference (Figure 8).

Figure 8: Income—CPWA Professionals vs. Other Advisors

Q. What is your yearly income?

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017
CPWA PROFESSIONALS’ PERSPECTIVE ON CPWA

The findings discussed in the previous section imply that CPWA certification has some bearing on the career and financial success of advisors. This section shares direct feedback from CPWA professionals on their awareness and perception of CPWA and how they see CPWA certification impacting their business and their clients.

IMPACT OF CPWA CERTIFICATION ON ADVISORS AND CLIENTS

Over 75% of CPWA champions (professionals that strongly agree that CPWA was worth the time and effort) indicate that obtaining CPWA certification had a considerable impact on their confidence in offering investment advice to high-net-worth clients, on their client service practices, and on their satisfaction with their career and their career advancement. In addition, more than 65% of CPWA professionals state that the designation led to knowledge of investment management, confidence in managing investments, and increase in client trust (Figure 9).

Figure 9: Importance of Obtaining CPWA Certification

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017

REVENUE GROWTH

CPWA practices report higher revenue growth over a five-year period than do non-CPWA practices. Thirty percent of practices that have at least one CPWA professional report more than 10% revenue growth over the last five years, compared to only 18% of practices with no CPWA members (Figure 10).
CPWA champions also report stronger growth in fee-based assets for advisor-directed assets, including representative-as-portfolio-manager (rep-as-PM) and representative-as-advisor asset management styles. For about 70% of CPWA champions, advisor-directed fee-based assets grew between 5% and 10% each year over the last five years (Figure 11).

We also analyzed practice growth in packaged investment assets, including mutual fund advisory, ETF advisory, separately managed accounts (SMAs), and unified management accounts (UMAs). Results favor those practices with at least one CPWA member. There is a significant difference between those practices that have at least one CPWA-certified member and report over 10% revenue growth over the last five years (24%) and those practices with no CPWA-certified members (13%; Figure 12).
Figure 11: Last Five Years’ Growth in Fee-Based Assets for CPWA Champions vs. Other CPWA Professionals

Percentage of Professionals by Their Practices’ Growth in Advisor-Directed Assets (Rep as PM or Rep as Advisor) Over the Last Five Years–
CPWA Champions (Strongly Agree That CPWA Was Worth the Time and
Effort) vs. Other CPWA Professionals

- CPWA champions (n=39)
  - More than 10% increase: 34%
  - 5% to 10% increase: 37%
  - Less than 5% increase: 14%
  - No change: 14%

- Other CPWA professionals (n=38)
  - More than 10% increase: 17%
  - 5% to 10% increase: 19%
  - Less than 5% increase: 19%
  - No change: 33%
  - Decrease: 8%

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017

Figure 12: Last Five Years’ Growth in Packaged Investment Assets for CPWA Practices vs. Non-
CPWA Practices

Percentage of Practices by Growth in Packaged Investment Assets
(SMAs, Mutual Fund Advisory, UMAst, etc.) Over the Last Five Years

- Practices with at least 1 CPWA (n=201)
  - More than 10% increase: 24%
  - 5% to 10% increase: 28%
  - Less than 5% increase: 27%
  - No change: 15%

- Other practices (n=128)
  - More than 10% increase: 13%
  - 5% to 10% increase: 38%
  - Less than 5% increase: 15%
  - No change: 25%
  - Decrease: 9%

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017
CHARACTERISTICS OF CPWA PRACTICES

The next few sections of the report analyze many aspects of practice characteristics, including performance and investment vehicles. Practices can include one client-facing financial advisor, referred to as a “solo practice,” or multiple client-facing advisors, referred to as a “team practice.” Practices that are called “CPWA practices” in this report have at least one CPWA professional on staff.

STRUCTURAL CHARACTERISTICS

The most common CPWA practice is a team practice with one CPWA professional, one CFP professional, and one CFA professional on the team. Of CPWA team practices, 79% have members with all three designations (CPWA, CFP, and CFA).

TEAM PRACTICES

CPWA practices are more likely to be structured as a team than are other practices; 76% of CPWA practices characterize themselves as team practices, whereas fewer than half of practices without a CPWA professional on staff indicate they are team practices (Figure 13).

Figure 13: 76% of CPWA Practices Are Team Practices

<table>
<thead>
<tr>
<th>Q. Please describe the structure of your practice.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Practices with at least 1 CPWA (n=201)</td>
</tr>
<tr>
<td>Solo practice</td>
</tr>
<tr>
<td>Team practice</td>
</tr>
<tr>
<td>24%</td>
</tr>
<tr>
<td>76%</td>
</tr>
<tr>
<td>Other practices (n=128)</td>
</tr>
<tr>
<td>Solo practice</td>
</tr>
<tr>
<td>Team practice</td>
</tr>
<tr>
<td>55%</td>
</tr>
<tr>
<td>45%</td>
</tr>
</tbody>
</table>

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017

Fifty-five percent of CPWA team practices handle approximately 100 to 199 client households. The bulk of significant difference between CPWA practices and non-CPWA practices is in the 150 to 199 accounts range, with 24% and 10%, respectively (Figure 14). This means that practices with CPWA members are able to handle more accounts.
Figure 14: Team Practices’ Account Management

Q. How many client households does your practice serve?

<table>
<thead>
<tr>
<th>Practices with at least 1 CPWA (n=201)</th>
<th>23%</th>
<th>24%</th>
<th>31%</th>
<th>17%</th>
<th>4%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other practices (n=128)</td>
<td>20%</td>
<td>10%</td>
<td>38%</td>
<td>20%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017

The Presence of Other Designations in CPWA Practices
Seventy-nine percent of CPWA team practices have at least one CFP and one CFA professional (Figure 15), and 71% of all practices have at least one CPWA or one CIMA professional (Figure 16). Therefore, it is more likely for a CPWA team practice to have members with multiple certifications, which will provide additional expertise to the team structure.

Figure 15: Designations Represented in CPWA Practices—CFP and CFA Professionals

CPWA Practices With and Without CFP and CFA Professionals (n=201)

<table>
<thead>
<tr>
<th>CPWA practices with at least 1 CFP and 1 CFA professional</th>
<th>79%</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPWA practices with at least 1 CFP and no CFA professionals</td>
<td>10%</td>
</tr>
<tr>
<td>CPWA practices without a CFP or CFA professional</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017
The majority (64%) of CPWA practices have more than one CPWA professional on staff. Those with more than one CPWA professional tend to be large practices and have a median of two CPWA professionals (Figure 17).

**Figure 16: Designations Represented in Practices—CPWA and CIMA Professionals**

| Practices with at least 1 CIMA or CPWA professional | 71% |
| Practices with at least 1 CIMA professional | 64% |
| Practices with at least 1 CPWA professional | 46% |

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017

**Figure 17: Most CPWA Practices Have More Than One CPWA Professional on Staff**

- 1 CPWA professional in the practice: 36%
- More than 1 CPWA professional in the practice: 64%
- Median of 2 CPWA professionals

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017
BUSINESS MODEL CHARACTERISTICS

Aite Group’s survey also collected information on how CPWA and non-CPWA practice members describe the type of firm in which they work. More CPWA practices identify themselves as a financial planning firm than any other type of firm, followed by a wealth manager and investment manager. Three in 10 indicate that their business is financial planning, while two in 10 state that their firm is an investment management or wealth management firm. Non-CPWA practices are nearly evenly divided across the financial planning, investment management, and wealth management categories (Figure 18).

Figure 18: CPWA Wealth Management Business

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017

CPWA practice professionals view financial planning—the process of understanding clients’ complete financial situations and goals, and recommending solutions aligned with these goals—as more important as a service than do non-CPWA professionals. Our findings also show a significant difference in how many respondents at CPWA practices place more importance on the financial planning advisory practice than on the investment management practice (34%) and how many advisors at non-CPWA practices do the same (23%; Figure 19).
**Figure 19: CPWA Practices View Financial Planning as More Important**

Q. Which is more important for your advisory practice: investment management or financial planning?

<table>
<thead>
<tr>
<th>CPWA professionals (n=77)</th>
<th>Other advisors (n=279)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial planning is more important</td>
<td>23%</td>
</tr>
<tr>
<td>Investment management is more important</td>
<td>29%</td>
</tr>
<tr>
<td>Both equally important</td>
<td>38%</td>
</tr>
</tbody>
</table>

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017

**REVENUE MODEL**

For practices with and without CPWA professionals, over 40% of the last 12 months’ practice revenue was generated by assets-under-management-based fees, rather than from commission/consulting/advice fees. Despite having less commission revenue as a proportion of total revenue, CPWA practices still are able to generate significantly more revenue from commission-based business related to variable and fixed annuities than are non-CPWA practices (Figure 20).

**Figure 20: CPWA Practice Revenue—Commission vs. Fee Based**

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017
FINANCIAL PERFORMANCE COMPARISON

Findings in this section present overall performance for CPWA practices and advisor practices with no CPWA-certified professionals as well as solo and team practices. Results show that CPWA professionals in solo practices manage more assets than do the practices reported by non-CPWA professionals in solo practices. CPWA professionals in team practices manage more assets and higher revenue than do the practices reported by non-CPWA professionals at team practices.

OVERALL PERFORMANCE

Figure 21 and Figure 22 show the overall practice comparison, combining solo and team practices. The mean assets per client at CPWA practices is nearly four times the mean assets per client at non-CPWA practices, and revenue generated over the last 12 months is 43% higher for practices with CPWA professionals than it is for other financial advisors.

Figure 21: Overall Practice Comparison (Solo and Team Practices)—Mean Assets per Client

<table>
<thead>
<tr>
<th>Comparison of Mean Assets per Client (In US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPWA professionals (n=77)</td>
</tr>
<tr>
<td>$7,341,176</td>
</tr>
<tr>
<td>Other advisors (n=279)</td>
</tr>
<tr>
<td>$1,912,992</td>
</tr>
</tbody>
</table>

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017
Figure 22: Overall Practice Comparison (Solo and Team Practices)—Revenue From Last 12 Months

Comparison of Mean Revenue From Last 12 Months (In US$)

<table>
<thead>
<tr>
<th></th>
<th>CPWA professionals (n=77)</th>
<th>Other advisors (n=279)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue From Last 12 Months</td>
<td>$1,934,667</td>
<td>$1,356,752</td>
</tr>
</tbody>
</table>

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017

SOLO PRACTICES

Figure 23 shows a comparison of solo-practice advisors by mean assets per client. CPWA professionals in solo practices reportedly manage nine times more assets than do non-CPWA professionals in solo practices.

Figure 23: Solo-Practice Comparison—Mean Assets per Client

Comparison of Mean Assets per Client—Solo Practices (In US$)

<table>
<thead>
<tr>
<th></th>
<th>CPWA professionals (n=19)</th>
<th>Other advisors (n=104)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean Assets per Client—Solo Practices</td>
<td>$19,525,889</td>
<td>$2,128,782</td>
</tr>
</tbody>
</table>

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017
TEAM PRACTICES

CPWA team practices manage more assets and generate more revenue than non-CPWA teams. The average CPWA team practice manages US$438 million in client assets (Figure 24) and generates US$2.1 million in revenue (Figure 25). CPWA team practices generate more assets per client than do other practices (Figure 26).

Figure 24: Team Practice Comparison—Mean Assets

Comparison of Mean Book Size—Team Practices
(In US$)

<table>
<thead>
<tr>
<th></th>
<th>CPWA professionals (n=57)</th>
<th>Other advisors (n=160)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$438,362,069</td>
<td>$292,454,545</td>
<td></td>
</tr>
</tbody>
</table>

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017

Figure 25: Team Practice Comparison—Revenue

Comparison of Mean Revenue Last 12 Months—Team Practices
(In US$)

<table>
<thead>
<tr>
<th></th>
<th>CPWA professionals (n=57)</th>
<th>Other advisors (n=160)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,112,281</td>
<td>$1,549,063</td>
<td></td>
</tr>
</tbody>
</table>

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017
Figure 26: Team Practice Comparison—Mean Assets per Client

Comparison of Mean Assets per Client—Team Practices
(In US$)

Practices with at least 1 CPWA (n=152)  Other practices (n=57)

$2,537,482  $1,634,502

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017
INVESTMENT STRATEGIES AND VEHICLES

This section explores differences between CPWA practices’ investment strategies and investment vehicles and those of practices without CPWA professionals. CPWA and non-CPWA practices manage investments in various ways, including advisor-directed, mutual fund advisory, ETF advisory, and non-discretionary accounts, and also leverage external investment managers. The variety of investment processes and strategies they employ indicate that these practices are frequently reviewing their clients’ portfolios in line with the established client parameters.

PROCESS AND STRATEGIES

CPWA practices are more likely to follow an investment policy process for their clients than are other practices. Close to 80% of CPWA professionals indicate they have established an investment policy with which they monitor investment managers’ performance. By comparison, 55% of other financial advisors follow the same process (Figure 27).

Figure 27: The Practice of Establishing an Investment Policy Process

Q. Do you have an investment policy process for your clients (process of establishing an investment policy with clients and ensuring that investment managers selected perform within the guidelines set forth)?

<table>
<thead>
<tr>
<th>Practices with at least 1 CPWA (n=201)</th>
<th>Other practices (n=128)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>78%</td>
</tr>
<tr>
<td>No</td>
<td>17%</td>
</tr>
<tr>
<td>Not applicable/I don’t know</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017

CPWA team practices manage more of their clients’ investments on a nondiscretionary advisory basis than do practices with no CPWA members, which manage more of their client’s investments on an advisor-directed model. In addition, there is a significant difference between the rate at which teams that have CPWA professionals allocate their clients’ investments in ETF advisory and UMAs, and the rate at which practices with no CPWA members do the same (Figure 28).
Figure 28: Allocation of Fee-Based Assets Across Investment Management Strategies—Team Practices

<table>
<thead>
<tr>
<th>Allocation of Fee-Based Assets by Investment Management Approach for Team Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Practices with at least 1 CPWA (n=146)</td>
</tr>
<tr>
<td>Advisor-directed</td>
</tr>
<tr>
<td>24%</td>
</tr>
<tr>
<td>Other practices (n=45)</td>
</tr>
<tr>
<td>41%</td>
</tr>
</tbody>
</table>

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017

CPWA professionals have very different views on the growth prospects of different asset management styles compared to other financial advisors. They are more likely than other financial advisors to state that the advisor-directed (rep-as-PM) style will grow the most, with 42% sharing this view versus 25% of other financial advisors saying the same. In contrast, other financial advisors are more likely to opt for a standard mutual fund advisory product than are advisors with a CPWA designation. The rep-as-PM approach will generate scalability and profitability to advisor practices and allow them to manage ETFs and SMAs in a single account (Figure 29).
Figure 29: CPWA Professionals’ Views on Investment Strategy Growth for Next Three Years

Q. Please check the asset management approach you feel will gain most as a percentage of your fee-based assets over the course of the next few years.

CPWA professionals (n=74)

- Advisor-directed SMAs: 42%
- Mutual fund advisory: 18%
- Nondiscretionary advisory accounts: 14%
- UMAs or UMH advisory: 11%
- ETF advisory: 5%
- Other: 9%

Other advisors (n=245)

- Advisor-directed SMAs: 25%
- Mutual fund advisory: 11%
- Nondiscretionary advisory accounts: 25%
- UMAs or UMH advisory: 11%
- ETF advisory: 18%
- Other: 10%

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017

INVESTMENT VEHICLES

CPWA practices invest half (50%) of their client assets in mutual funds, stocks, ETFs, and fixed annuities. If we compare them to other financial advisor practices, there are significant differences in the allocation of investments, particularly for futures (7% versus 3%), hedge funds (6% versus 2%), and variable life insurance (5% versus 3%; Figure 30). CPWA practices are using more sophisticated investment strategies than are non-CPWA advisors. The focus on ETFs can give investors diversification, as it allows a larger exposure to different types of equities and lower fees than other managed funds. The futures markets also give an advantage to clients, as they are typically very liquid.
Figure 30: Allocation of Client Assets Across Investment Vehicles

Allocation of Client Assets Across Investment Vehicles

- **Fixed annuities**: 11% - 22%
- **Mutual funds**: 13% - 18%
- **Individual stocks**: 13% - 16%
- **ETFs**: 10% - 13%
- **Individual bonds (i.e., not bond funds)**: 8% - 10%
- **Variable annuities**: 8% - 6%
- **Futures**: 3% - 7%
- **Foreign exchange**: 5% - 4%
- **Hedge funds/private offerings**: 2% - 6%
- **Variable life insurance**: 3% - 5%
- **Real estate investment trusts**: 4% - 3%
- **Options**: 4% - 3%
- **Other**: 1% - 0.4%

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017
NON-CPWA PROFESSIONALS’ PERSPECTIVES ON CPWA

This section shares direct feedback from non-CPWA professionals on their awareness and perception of CPWA and shows how they see CPWA certification impacting their business and their clients.

AWARENESS AND PERCEPTION OF CPWA CERTIFICATION

Most non-CPWA study respondents have some familiarity with the CPWA designation. Specifically, 21% are very familiar with the CPWA designation, 30% indicate that they know something about the CPWA certification, and 21% are somewhat familiar but do not know much about the requirements for certification. Twenty-six percent are not familiar with the designation, meaning they have never heard of it (Figure 31).

**Figure 31: Familiarity With CPWA Designation**

<table>
<thead>
<tr>
<th>Familiarity Level</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intimately familiar, as I am currently working on obtaining CPWA certification</td>
<td>3%</td>
</tr>
<tr>
<td>Very familiar, I have reviewed the CPWA certification process in detail</td>
<td>21%</td>
</tr>
<tr>
<td>Familiar, I know CPWA certification is for wealth managers</td>
<td>30%</td>
</tr>
<tr>
<td>Somewhat familiar, I have heard of the designation but don’t know much about the requirements for certification</td>
<td>21%</td>
</tr>
<tr>
<td>Not familiar at all, I have never heard of it</td>
<td>26%</td>
</tr>
</tbody>
</table>

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017

Sixty percent of financial advisors who do not hold a CPWA certification but have heard of it have at least a somewhat positive perception of it (Figure 32). Most of the remaining advisors indicate that their knowledge is too limited for them to have an opinion.
The Aite Group survey asked advisors not holding a CPWA designation to indicate which type of financial services professional the CPWA certification is suited for. Approximately 53% of advisors state that CPWA certification is suited for wealth managers in general, closely followed by over 30% of advisors who say that it is suited for financial planners and investment advisors (Figure 33).

Figure 32: Perception of the CPWA Certification

Q. What is your perception of the CPWA certification? (n=266 financial advisors without a CPWA designation but who are familiar with it)

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017

Figure 33: Financial Services Suitability of CPWA Certification

Q. What type of financial services professionals do you think CPWA certification is suited for? (n=266 financial advisors without a CPWA designation but who are familiar with it)

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017
INTEREST IN PURSUING CPWA CERTIFICATION

The next three figures focus on financial advisors’ interest in pursuing a CPWA certification, their likelihood of not working toward a CPWA certification, and the reasons that some of the advisors want to start working toward a CPWA certification. For Figure 34, Aite Group considered those financial advisors who do not have a CPWA designation and are not currently working on obtaining it, though they are familiar with it. Of this population, 42% state they may start working toward a CPWA certification. Another 9% said that they will very likely or possibly start working toward a CPWA certification, although they will have to gain five years of work experience before starting the process. Only 5% state that a CPWA certification is not a good fit given their areas of focus.

Figure 34: Likelihood of Starting to Work Toward CPWA Certification

Q. How likely are you to start working toward CPWA certification in the next few years? (n=257 financial advisors without a CPWA designation but who are familiar with it and are not currently working to obtain it)

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very likely</td>
<td>5%</td>
</tr>
<tr>
<td>Possibly, but I will have to wait until I have a 5-year work experience to start considering the CPWA certification</td>
<td>9%</td>
</tr>
<tr>
<td>Possibly</td>
<td>42%</td>
</tr>
<tr>
<td>I am unlikely to start on this in the next few years</td>
<td>29%</td>
</tr>
<tr>
<td>I never intend to start working on a CPWA certification despite my focus on family offices, wealth transfer, comprehensive planning, among others</td>
<td>9%</td>
</tr>
<tr>
<td>CPWA certification is not a good fit for me given my areas of focus</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017

For those financial advisors who never intend to start working on a CPWA certification or are unlikely to start in the next few years, some of the reasons they would not be likely to start working toward a CPWA certification follow: They do not have the time for it (40%), they have other designations (35%), or they do not believe they need to earn a CPWA certification to be more successful (29%; Figure 35).
Figure 35: Likelihood of Not Working Toward CPWA Certification in the Next Few Years

Q. Why are you not likely to start working toward CPWA certification in the next few years? (n=99 financial advisors who are unlikely to start working on a CPWA certification in the next few years or never intend to start)

- I don’t have the time: 40%
- I have other designations: 35%
- I don’t need to earn CPWA certification to be more successful: 29%
- I don’t want to incur the expenses on my own: 18%
- CPWA certification is not a good match for me: 12%
- I am planning to change careers: 10%
- Other: 4%

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017

Figure 36 lists reasons why an advisor would start working toward a CPWA certification, in order of priority, from the group of advisors who are very likely or possibly likely to start working toward a CPWA certification in the next few years. The top reason is that they want to add expertise and skills to their team, followed by wanting to enhance their investment management knowledge.

Figure 36: Reasons to Start Working Toward CPWA Certification

Q. For which of the following reasons would you start working toward CPWA certification in the next few years? (n=133 financial advisors who are very likely to or possibly will start working toward CPWA certification in the next few years)

- To add expertise and skills to my team: 44%
- To enhance my investment management knowledge: 38%
- To convey to clients my practice’s expertise with family offices, wealth transfer, comprehensive planning, among others: 36%
- To advance in my career or expand career options: 35%
- My firm rewards advisors who obtain professional designations: 33%
- My firm is subsidizing all or part of the cost: 30%

Source: Aite Group survey of 436 financial advisors, 77 with CPWA certification, Q2 2017
CONCLUSION

Financial institutions servicing high-net-worth individuals are focusing on strategies that affect the life cycle of wealth, including wealth accumulation, preservation, and distribution. Different types of wealth management functions, including financial planners and advisors, retirement specialists, and family-office professionals, are benefiting from a number of moves by firms in the wealth space.

- Focus on advisor education and invest in designations that are relevant to servicing investors’ needs. Wealth management firms wanting to diversify in terms of advice they offer to clients should encourage advisors to obtain additional certifications. The CPWA certification will impact advisors’ knowledge of working with high-net-worth clients to better minimize taxes, protect assets, maximize growth, and transfer wealth.

- Successful advisory practices that focus on adding tax planning, wealth transfer, estate planning, and retirement to the repertoire of services will be at an advantage over other firms. Obtaining the CPWA certification will enhance the knowledge of this practice.

- Reorganizing the service team structure is a priority for many wealth management organizations. In order to generate more assets and higher revenue, firms should consider forming teams with the appropriate skill sets. Adding CPWA professionals is a clear strategy to achieving this goal.
ABOUT AITE GROUP

Aite Group is a global research and advisory firm delivering comprehensive, actionable advice on business, technology, and regulatory issues and their impact on the financial services industry. With expertise in banking, payments, insurance, wealth management, and the capital markets, we guide financial institutions, technology providers, and consulting firms worldwide. We partner with our clients, revealing their blind spots and delivering insights to make their businesses smarter and stronger. Visit us on the web and connect with us on Twitter and LinkedIn.

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