



Wealth Enhancement®

Declaration of *advisor independence*

Growth-minded RIAs seek flexibility but face rising costs and demands on their time in an increasingly competitive environment



For most of its history, the Registered Investment Advisor (RIA) industry has followed a fairly predictable path toward steady growth. This expansion is reflected in the increasing number of advisors, firms, and assets under management (AUM)—which is expected to approach \$100 trillion in 2029, according to research firm [Statista](#).

But in recent years, industry transformation has accelerated, and the landscape has dramatically changed. As a result, RIAs now face a complex array of challenges that are reshaping the future of wealth management for advisors and their clients.

Today's RIAs find themselves navigating an industry in flux, driven by transformative market forces, rapid tech advancements, and an increasingly complex regulatory environment. Compounding these challenges are soaring client expectations and intensifying competition, both of which exert downward pressure on fees.

As the industry evolves, RIAs must adapt swiftly to maintain their competitive edge and deliver an expanding range of services and experiences.

Rising costs across the board

This research report examines the growing financial pressures on RIAs due to rising costs in technology, compliance, and client servicing, alongside the challenges of fee compression.

Rising costs are making it more challenging for independent financial advisors to balance their time and expenses while maintaining high-quality services for their clients. The average cost of running a financial planning firm ranges from \$50,000 to \$500,000 annually, depending on the size of the business, according to [Business Plans](#).

Soaring client expectations for services and personalized attention prompt advisors to invest more in client servicing and support. This trend is especially true with high-net-worth (HNW) clients. About 70% of advisors reported increasing their service offerings to meet client demands, leading to a 15% rise in operational costs, according to [Broadridge](#).

Recruiting and hiring costs rose 15-20% during the pandemic and they continue to rise, according to [AdvisorEngine](#). RIA firms will need to hire 70,000 new staff members over the next five years, according to [Charles Schwab research](#). For many advisors, striking a balance between operating independence and the ability to accelerate organic growth is key.

Annual costs for RIAs include:

\$10K-\$50K	Startup costs include hiring and salaries, rent, utilities, technology including customer relationship management (CRM) and client portals, insurance, and membership licensing fees. Average costs range between \$10K to 50K+ according to SmartAsset .
\$50K-200K	Staffing and professional development: The average cost of running a financial planning firm ranges from \$50,000 to \$200,000 annually, depending on the size of the business. These costs can represent as much as 50% of operating costs.
15% YOY increase	Compliance and security costs are climbing, with an enhanced focus on cybersecurity. In a 2023 survey by IAA , 83% of firms reported increased spending with an average 15% year-over-year increase. Consumer concerns and the Securities and Exchange Commission's emphasis on protecting private personal data has led to higher expenses for cybersecurity measures, according to Wealth Solutions Report .
\$25K avg	Technology: The average RIA spends approximately \$25,000 annually on technology, including CRM systems, financial planning software, and client portals—a 12% increase from the previous year, according to Kitces .
\$16K-\$23K	Marketing: Advisors spend around \$15,908 per year on marketing, with larger teams spending around \$23,200. Solo advisors spend closer to \$9,000, according to Broadridge . Growth-focused advisors spend 4X more on marketing than non-growth-focused advisors.

Many advisors choose to go independent to gain more direction on how to grow their business but may end up spending more time than anticipated on operations and administration (information technology, compliance, rent, staffing, negotiations) than attracting and servicing clients.

Demonstrating value, justifying fees

There is growing pressure on the traditional 1% fee, especially in higher-end client relationships. Fee compression is forcing advisors to find ways to maintain profitability while offering competitive pricing, according to [pwc](#).

Fee compression can be countered by educating clients and providing comprehensive planning and services including tax, estate, and retirement planning. Advisors can justify higher fees by clearly communicating the unique value and personalized service that clients receive. This includes offering comprehensive financial planning, tax optimization, estate planning, and other services alongside personalized financial planning advice.

Wealth managers have options to counter downward pressure on fees:

- Tech platforms can help advisors streamline operations, improve client interactions, and offer more personalized services to a larger client base.
- Differentiate: Focusing on niche markets or specialized services can help advisors stand out. For example, specializing in retirement planning, special needs individuals, college financing, or government employees can create a unique market position.
- Building strong, trust-based relationships with clients can lead to higher client retention and referrals. Regular communication, personalized advice, and a deep understanding of clients' financial goals can enhance client loyalty.
- Segmented service models enable advisors to efficiently service different client tiers, according to their needs. This also gives clients the ability to choose service levels that fit their needs and budget, according to [Kitces](#).

By adopting these strategies, financial advisors can better position themselves in a competitive market and maintain their fee structures while delivering high value to their clients.

Reaffirming your firm

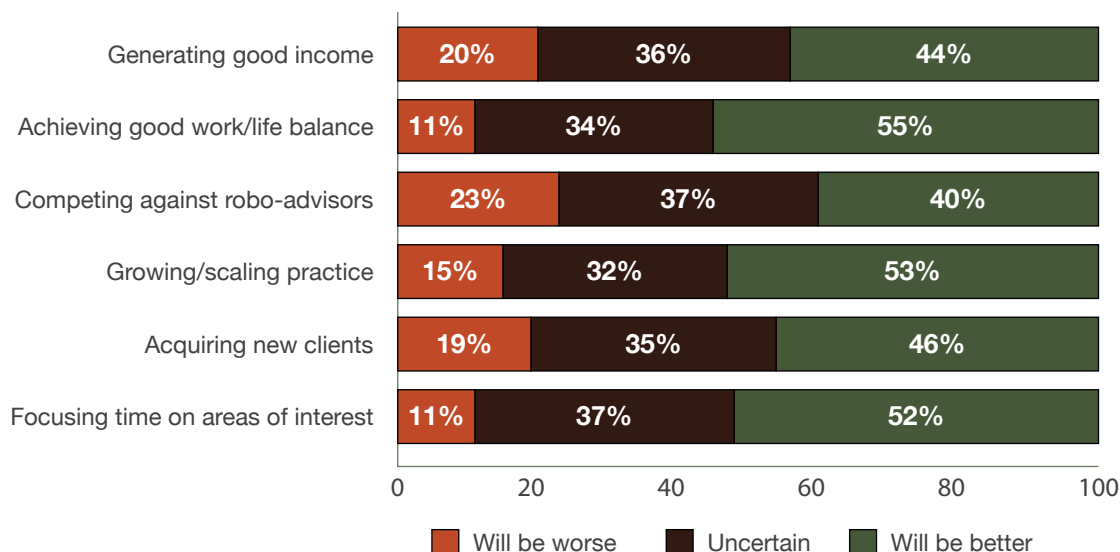
Succession planning provides numerous benefits, but just 42% of RIAs have documented succession plans started or already implemented, according to [Devoe](#). In addition to ensuring your firm can continue without its current principals, benefits include:

- Continuity: Succession planning can help ensure that clients continue to receive uninterrupted, high-quality service, fostering trust and loyalty, according to [My RIA Lawyer](#).
- Client relationships: By demonstrating a commitment to long-term stability and continuity, succession planning can enhance client confidence and deepen relationships, according to the [National Association of Professional Agents](#).
- Preservation of firm value: A well-executed succession plan helps maintain and even enhance the firm's value to help ensure a smooth and successful transition².
- Enhanced stability: Succession planning can provide a solid framework to handle unexpected economic and personal challenges to help ensure the firm remains resilient and adaptable.
- Leadership development: Succession planning provides career paths for future leaders within the firm so the next generation is prepared to take on leadership roles.

The execution may vary, but succession planning is critical whether advisors choose to remain independent or consider moving forward by partnering with a larger firm.

Many advisors are concerned about the near term

Along with the excitement about future opportunities, advisors expect to see challenges, according to Broadridge [research](#). The chart below shows that many advisors are feeling pessimistic or uncertain about the next three years in terms of finding new clients, generating income, or scaling their practices.



Accordingly, there are also concerns around work-life balance and allocating time to the more productive and fulfilling aspects of their business.

The path forward

“By 2030, as advice becomes increasingly analytics-driven and automated, advisors will shift their focus to comprehensive planning beyond the portfolio. As a result, the number of advisors will drop by up to a fifth.” [McKinsey & Company](#)

What RIAs can do to navigate this evolving landscape:

In 2025, RIAs are facing rising costs and numerous challenges, prompting them to seek innovative solutions both internally and externally.

To navigate these complexities, RIAs are optimizing their internal systems and processes by investing in advanced technologies and enhancing staff training. Simultaneously, some are exploring external partnerships, such as collaborating with third-party service providers and leveraging industry networks to access specialized expertise and resources.

By taking a considered approach, RIAs can maintain their edge in an increasingly competitive environment. With a well-developed strategy, they will be able to spend more time on client-facing and business-building activities while continuing to deliver high-quality client services despite the challenging landscape. RIAs can potentially:



Expand service offerings with a team approach: By providing comprehensive financial services, including estate planning, tax advice, and insurance, RIAs can meet the growing expectations of clients and justify higher fees. A team-based approach with in-house specialists and services can also streamline service and provide clients with a broader perspective to apply to their financial challenges.



Elevate client experience and convenience: Clients—especially HNW clients—value “one-stop-shopping” and a single, trusted point of contact for all their financial and business matters. About 68% of HNW individuals will consolidate all financial services to a single provider to receive more personalized, integrated services, according to [Capgemini](#).



Embrace integrated marketing for consistent messaging and enhanced client engagement and retention. By using a number of marketing channels in a methodical way, advisors can fine-tune their marketing mix and practices to increase return on investment. A strong brand presence also helps RIAs to differentiate themselves and stand out in a crowded marketplace.



Deliver added value through more specialized offerings, such as alternative investments, estate planning and trust services. Business services, including value acceleration and exit planning, are popular with founders and entrepreneurs who can benefit from integrated planning.



Leverage digital tools and platforms to streamline operations and enhance client interactions. Technology platforms that incorporate AI and automation can improve efficiency in areas like portfolio management, financial planning, and client onboarding.

By adopting these strategies, RIAs can better position themselves to thrive in a rapidly changing industry while consistently delivering added value to their clients.

The bottom line

RIAs must carefully evaluate their own unique circumstances and goals to determine the best path forward to ensure continuity, growth, and success for their clients, employees, and families.

Many advisors are considering the move to the independent channel for flexibility and growth, but the most expedient path may be to merge with other organizations that have the resources and know-how to expand revenue and service higher-end clients with sophisticated needs.



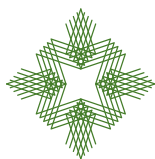
By increasing operational efficiency and scaling their business, advisors can reduce costs and improve profitability. This can be achieved through strategic partnerships, outsourcing non-core functions, and optimizing internal processes.

Smaller RIAs can consider strategic partnerships or mergers to gain access to more resources and compete with larger firms. Recent research by Cerulli suggests team-based advisors are better positioned for growth.

“94.5% of practices with greater than \$500 million in AUM operate in a team-based structure, compared to only 5.5% that are solo practitioners.” – [Cerulli](#)

Team-based practices offer a broader range of services, are more productive and maintain higher levels of AUM. Another benefit of the team approach is the strength of multiple specialists, each bringing their own skills, experience and perspective to the table to enhance planning strategies and solve client challenges.

Should your firm go it alone, or embrace market consolidation through strategic partnerships? Ultimately, the choice between independence and partnership is a strategic decision that should align with your firm’s long-term vision and mission.



Wealth Enhancement®

About Wealth Enhancement

Wealth Enhancement is a national independent wealth management firm offering fiduciary-led comprehensive planning grounded in clear, detailed advice. With local offices around the country, each advisory team is backed by a network of specialists who can address nuanced financial needs, no matter how complex. We offer estate planning, integrated tax services, investment management, insurance consultancy, and retirement income planning, as well as business consulting services.

Since 1997, Wealth Enhancement has delivered specialized knowledge, attentive service, and integrated planning. Our team approach, commitment to client care, and focus on strategic growth have helped us build a national presence and a sustained reputation in the financial services industry.

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