

The Impact of Outsourcing

Preference for TAMPs is on the rise;
why investment management
outsourcing is still the way forward





What is investment management outsourcing?

Investment management outsourcing is the practice of delegating part or all of investment management activities to a professional money manager or outsource provider. Outsourcing providers offer a range of turn-key investment solutions that are researched and monitored by a team of investment professionals.

Investment management outsourcing firms may provide additional services, such as:

- Ongoing due diligence with active monitoring of strategies and investments, including portfolio construction guidance based on a grounded investment philosophy
- Pre-built portfolios to address a range of client needs, from savings to steady income in retirement
- Custom portfolios for high-net-worth (HNW) clients and clients with unique needs and financial goals
- Enhanced services, such as technology, compliance, practice management, marketing, and more

When advisors work with an investment management outsourcing firm, they can turn their focus to other tasks with the confidence that their clients' assets are being well managed.

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Executive Summary

Increasingly, clients seek personalized advice from their financial advisors. Outsourcing empowers advisors to focus on meeting this demand by offloading time-consuming front-, middle-, and back-office tasks and redirecting their time to amplify value for clients.

Could outsourcing be for you?

The *2024 Impact of Outsourcing* study builds on research conducted by AssetMark in 2019 and 2021 to uncover how advisors are using investment management outsourcing to achieve their business goals.

About 700 financial advisors who are business owners/partners in the independent, insurance, and RIA channels—including a mix of those who do and do not outsource investment management—were surveyed for a look at the latest outsourcing trends.

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What we learned

- **Preference for TAMPs is on the rise.** In 2024, 60% of advisors who outsource at least 20% of their AUM use TAMPs compared to 44% in 2021, and 32% consider a TAMP their primary outsourcing provider vs. 24% in 2021.
- **Better benefits are reported by those who primarily use TAMPs** vs. other types of outsourcing providers (broker-dealers, model providers) in multiple areas, including more time saved that can be reallocated to other activities, as well as better financial outcomes for advisors.
- **Client relationships benefit most from reclaimed time.** On average, advisors who outsource save more than nine hours per week, and the most common area they choose to spend that time is with clients: 72% reallocate time to client-facing activities—5.4 hours on average. The percentage of advisors citing client relationship benefits due to outsourcing increased yet again from prior studies.
- **Outsourcers see higher rates of new asset acquisition while working fewer hours and spending more time with clients.** New assets brought into their practice in 2023 as a percentage of 2022 year-end assets was 14% for outsourcers compared to 11% for non-outsourcers. At the same time, outsourcers work two hours less per week on average than non-outsourcers.
- **Not all TAMPs are created equal.** Advisors who use AssetMark—especially those who consider AssetMark their *primary* outsourcing provider—see better results, not only than advisors using other provider types, but also than advisors using other TAMPs.

TAMP Use Is on the Rise

A key trend that emerged is the increased use of TAMPs by financial advisors. In 2024, 60% of outsourcing advisors use TAMPs, up from 44% in 2021. Over the same period, use of broker-dealers for outsourcing declined from 57% to 47%.

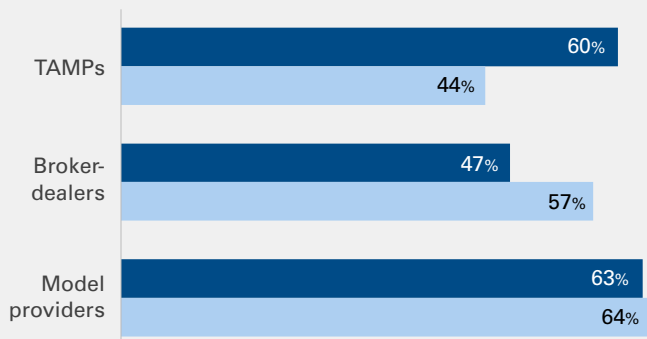
Although advisors use two providers for investment management outsourcing on average, in 2024, 32% consider a TAMP their primary provider, up from 24% in 2021. Again, the percentage for broker-dealers dropped from 38% in 2021 to 27% in 2024.

What is a TAMP?

A turnkey asset management platform (TAMP) is a fee-based investment provider that helps financial advisors enhance services and optimize their clients' investment returns. TAMP providers build a platform that allows advisors to easily access a range of investment management, suitability, and trading tools to outsource specific aspects of investment management.

OUTSOURCING PROVIDERS LEVERAGED FOR INVESTMENT MANAGEMENT*

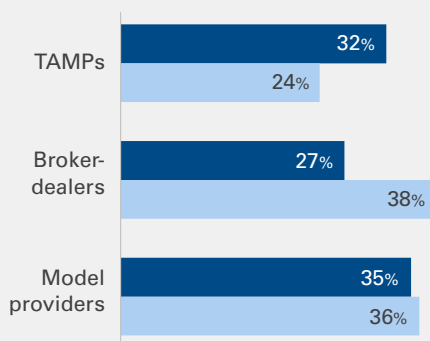
Percentage of advisors ■ 2024 ■ 2021



*More than one choice allowed

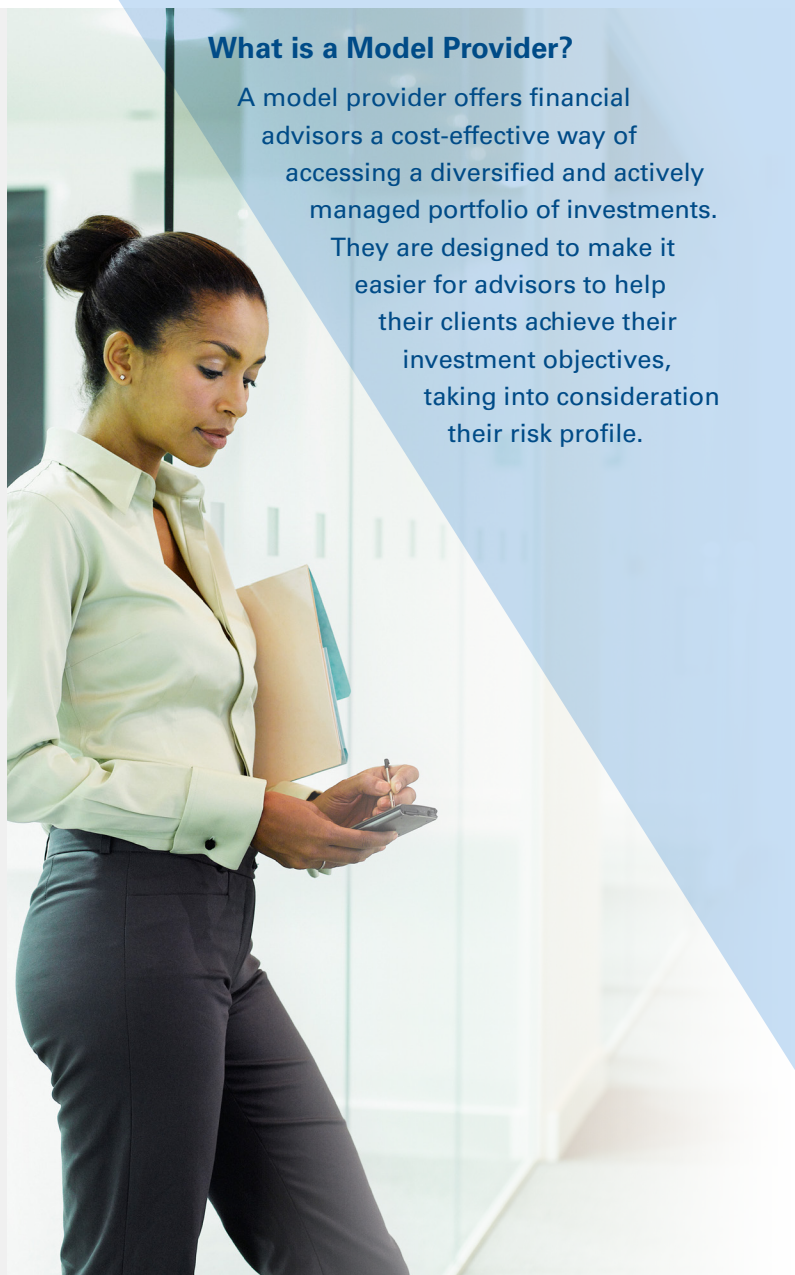
PRIMARY OUTSOURCING PROVIDER FOR INVESTMENT MANAGEMENT

Percentage of advisors ■ 2024 ■ 2021



What is a Model Provider?

A model provider offers financial advisors a cost-effective way of accessing a diversified and actively managed portfolio of investments. They are designed to make it easier for advisors to help their clients achieve their investment objectives, taking into consideration their risk profile.





TAMP providers offer advisors a platform that allows them to easily outsource investment management, but many also support advisors with value-added services and expertise that focus on business development, operational efficiency, technology, marketing, compliance, and more.

Analysis shows that advisors who primarily use TAMPs experience greater benefits in multiple areas of their business.

Greater ability to reallocate time for business building

Advisors who primarily leverage TAMPs report saving 11 hours on average per week, while advisors who rely mainly on broker-dealers report saving nine hours per week, and those who primarily use model providers report saving eight hours per week.

AVERAGE NUMBER OF HOURS PER WEEK SAVED DUE TO OUTSOURCING INVESTMENT MANAGEMENT

By primary provider type

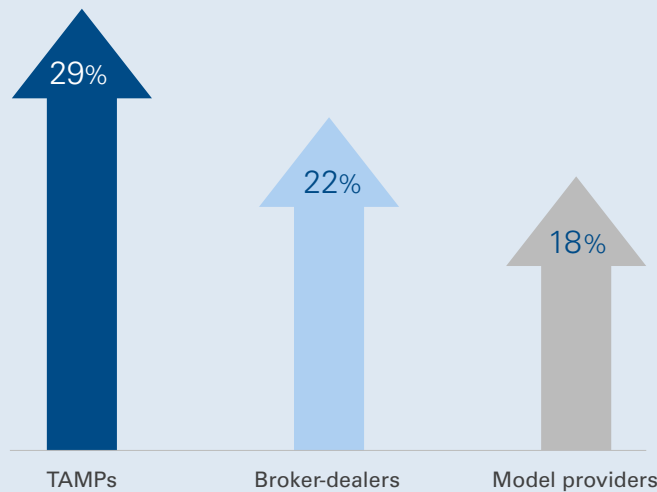
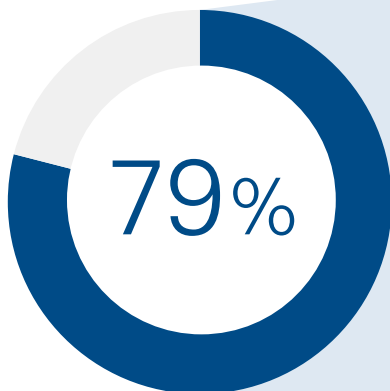


Greater impact on advisor income

Advisors who mainly use TAMPs are also more likely to say they have experienced a significant increase in personal income due to outsourcing.

ADVISORS WHO HAVE EXPERIENCED GROWTH IN PERSONAL INCOME DUE TO OUTSOURCING

PERCENTAGE PERSONAL INCOME HAS INCREASED AS A RESULT OF OUTSOURCING INVESTMENT MANAGEMENT *By primary provider type*



Why Do Advisors Outsource Investment Management?

As in 2021, advisors' top motivation to outsource remains delivering better investment solutions to clients. Consistency across a practice, ability to repurpose time, and serving more clients round out the top outsourcing drivers. Better work/life balance was a new motivation probed in 2024; while it didn't displace the top four, nearly one in four advisors is hoping to repurpose time from work to personal interests.

TOP RANKED REASONS FOR OUTSOURCING INVESTMENT MANAGEMENT

Percentage of outsourcing advisors who ranked among their top three reasons



Where Does Outsourcing Drive Business Results?



Scaling their business for growth and spending time needed on business-building activities continue to be two of the most common challenges faced by advisors, each cited by more than 70% of advisors in 2024. To achieve scale and growth, advisors need to prioritize their limited time on activities that drive the most value.

Advisors who outsource investment management save, on average, nine hours per week. The most common way they choose to reallocate this time savings is building relationships with clients. Other priorities also benefit from their newfound time savings as shown in the chart below.

*“All the research and management is done for me which **freed up my time to focus on other areas of my business.**”*

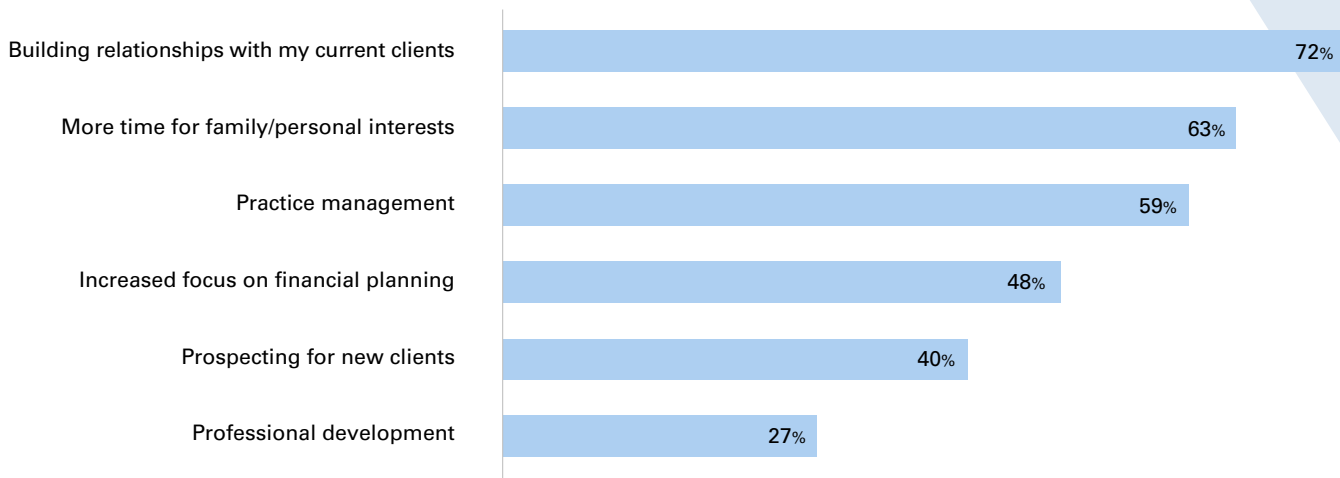
—Advisor, Insurance Broker-dealer



AVERAGE NUMBER OF HOURS/WEEK SAVED DUE TO OUTSOURCING INVESTMENT MANAGEMENT

AREAS TO WHICH ADVISORS HAVE ALLOCATED MORE TIME AS A RESULT OF OUTSOURCING

Percentage of advisors



Outsourcing benefits span multiple business areas

Better investment solutions. 98% of advisors say they are delivering better investment solutions to their clients since outsourcing. With confidence in their investment management providers, advisors who outsource can shift their focus to other priority business goals.

Improved financial outcomes. As a result of this shift in focus, 97% of advisors report financial benefits, which is consistent with prior studies spanning the past five years. Additionally, outsourcing advisors brought more new assets into their practice in 2023 as a percentage of their 2022 year-end assets than non-outsourcers (excluding market performance).

Stronger client relationships. Because so many advisors who outsource invest more time in building client relationships, more than nine in ten state that their client relationships are stronger since they began outsourcing. The 72% of advisors who have allocated more time to clients since outsourcing have increased their client-facing time by 5.4 hours per week on average.

98%

of outsourcers report delivering better investment solutions to clients

97%

of outsourcers report financial benefits

NEW ASSETS BROUGHT INTO PRACTICE IN 2023 AS A PERCENTAGE OF 2022 YEAR-END ASSETS

(excluding market performance)

14%

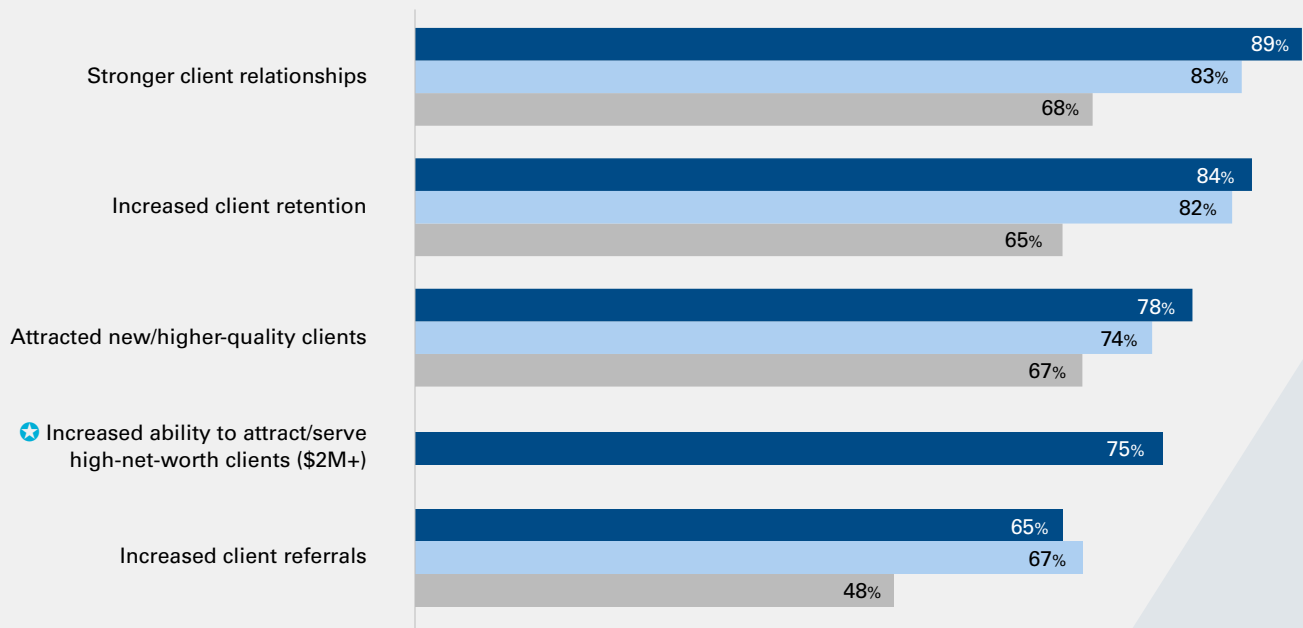
Outsourcers

11%

Non-outsourcers

CLIENT RELATIONSHIP BENEFITS AS A RESULT OF OUTSOURCING INVESTMENT MANAGEMENT

Percentage of outsourcing advisors ■ 2024 ■ 2021 ■ 2019

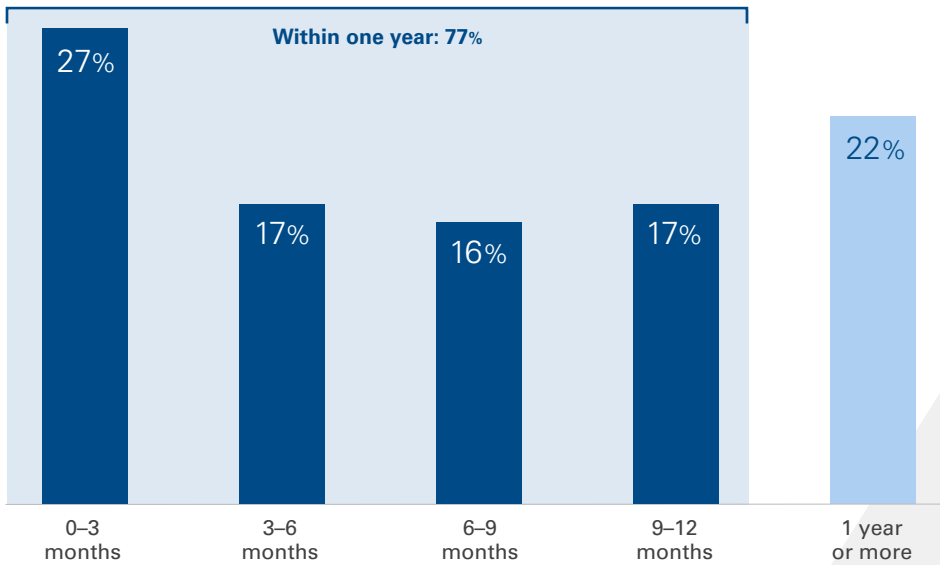


★ Indicates new response option in the 2024 research wave.

Most advisors begin to see benefits from outsourcing in less than a year

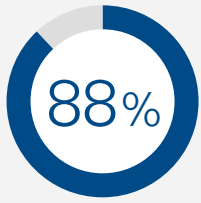
Advisors who are exploring outsourcing may wonder how long it will take to see ROI on making the change. This year, research explored how soon advisors start noticing a positive impact in their practice after they begin to outsource. Nearly half (45%) said they saw benefits within the first six months, and three in four (77%) observed impact within a year.

POINT AT WHICH ADVISORS START NOTICING BENEFITS FROM OUTSOURCING

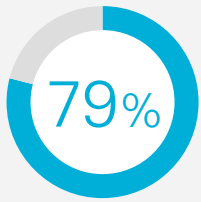


Increasing Share of Assets Outsourced Multiplies Impact

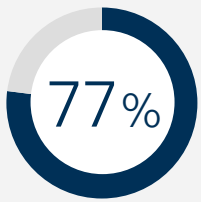
Data continues to show a strong correlation between the percentage of assets an advisor chooses to outsource and the extent of positive outcomes experienced in many areas of their business.



Experienced growth in assets due to outsourcing



Experienced growth in personal income due to outsourcing

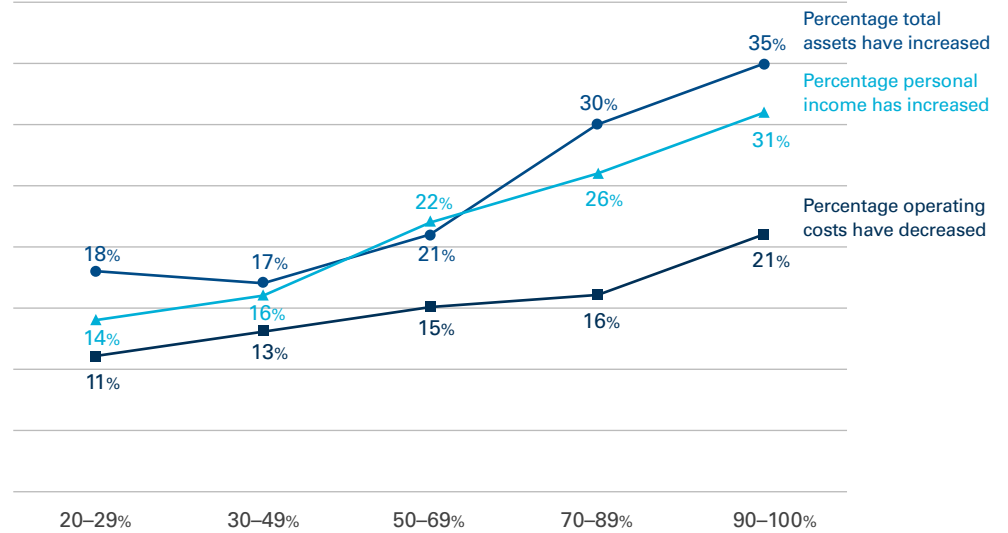


Experienced decrease in operating costs due to outsourcing

EXTENT OF FINANCIAL BENEFITS EXPERIENCED

By percentage of assets outsourced

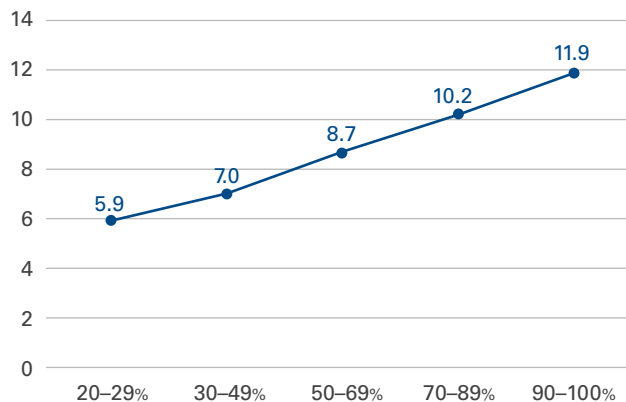
Base: Outsourcers who said they experienced each of the benefits



*"I was able to grow assets under management more with freed up time and have appreciated the investment resources available. This has enabled me to **grow without additional time taken at work.**"* —Advisor, Registered Investment Advisor

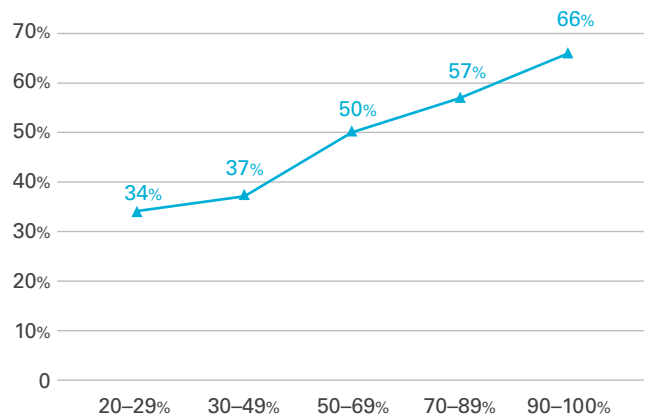
HOURS SAVED PER WEEK

By percentage of assets outsourced



PERCENTAGE OF ADVISORS ABLE TO REDUCE THE NUMBER OF OPERATIONAL STAFF NEEDED IN THEIR PRACTICE

By percentage of assets outsourced

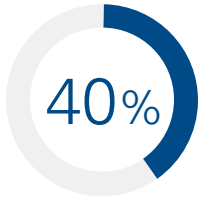


What Keeps Advisors from Outsourcing?

Among advisors who do not currently outsource investment management, 40% have considered doing so—primarily to free up time—and 86% say they may consider it in the future.

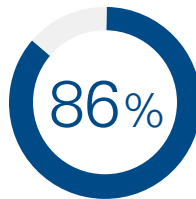
HAVE CONSIDERED OUTSOURCING INVESTMENT MANAGEMENT TO A THIRD PARTY

Percentage of non-outsourcing advisors



MIGHT CONSIDER OUTSOURCING INVESTMENT MANAGEMENT IN THE FUTURE

Percentage of non-outsourcing advisors



So, what are their hesitations? Top concerns that hold back non-outsourcers continue to be about cost (65%), loss of control (51%), and inability to customize for unique client situations (47%).

MISCONCEPTION 1 Outsourcing is expensive

While there is a cost associated with using an outsourcing provider, understanding the true cost comes down to the value gained by advisors who outsource. It's important to account for the financial benefits from outsourcing that offset provider fees—including asset growth, increased income, lower operating costs, and higher business valuation—as time savings are reallocated to other business priorities.

*“Managing the accounts on an individual basis is very time-consuming, and the expenses charged to the clients have been dropping for as long as I can remember. **[Outsourcing] allows us to handle more clients.**”*

—Advisor, Independent Broker-dealer

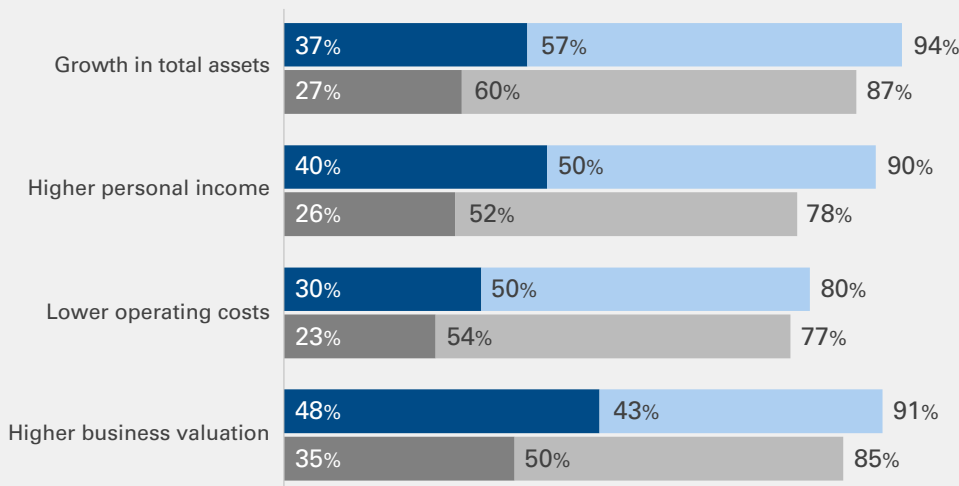
PERCENTAGE OF ADVISORS EXPERIENCING FINANCIAL BENEFITS DUE TO OUTSOURCING

AssetMark is primary

■ Significant benefit ■ Some benefit

Another provider is primary

■ Significant benefit ■ Some benefit



Business growth achieved with time saved due to outsourcing can have a significant impact. For example, according to discounted cash flow valuation techniques, **for every 1% growth in revenue, the valuation of a practice increases by 7%.**

MISCONCEPTION 2 Loss of control and inability to customize

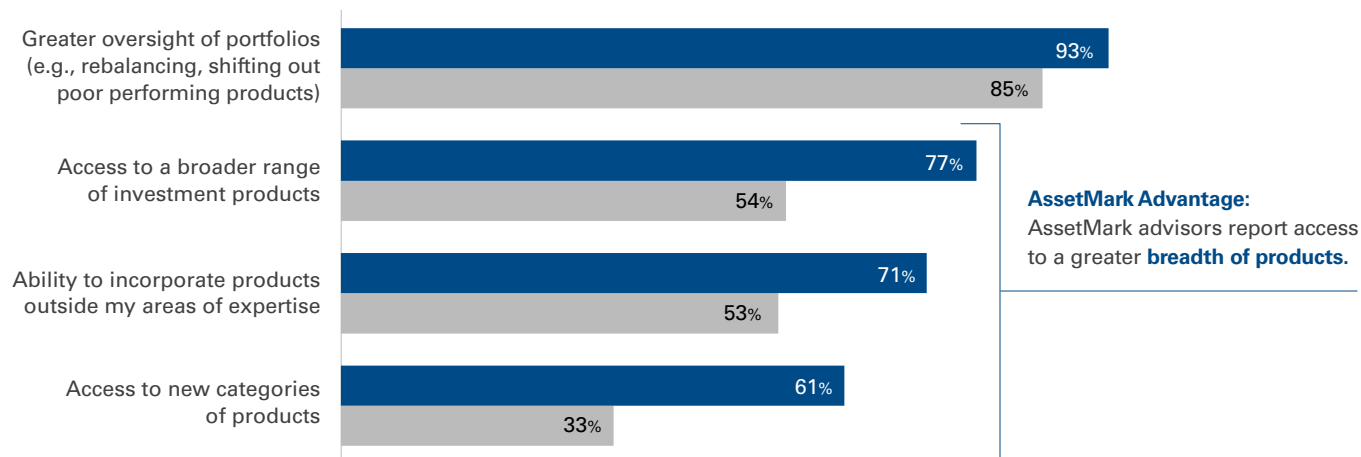
While outsourcing advisors work with a third party to make investment decisions and build portfolios, it doesn't mean giving up control. Most outsourcing firms provide a range of options from ready-made, professionally managed portfolios to customized portfolios using a broad offering of investment solutions and strategies. With integrated technology, advisors can easily compare, select portfolios, and customize to align with client goals.

In fact, most advisors report greater oversight of portfolios with outsourcing, and more than half say they have access to a broader range of investment products and are able to incorporate products outside their areas of expertise.

Investment solutions can cover a variety of client needs, including DIY and pre-built portfolios, and solutions for high-net-worth clients. Additionally, most undergo a rigorous due diligence process with ongoing evaluation and curation to help you choose from a wide range of investment managers to provide the best solution to your clients.

WAYS OUTSOURCING ADVISORS ARE DELIVERING BETTER INVESTMENT SOLUTIONS

Percentage of outsourcing advisors ■ AssetMark is primary ■ Another provider is primary



*"It has brought **best-of-breed products to my clients with greater options and personalization** as I can use different third parties for different clients without needing to build out an entire portfolio each time."*

—Advisor, Independent Broker-dealer



Finding the Right Outsourcing Provider

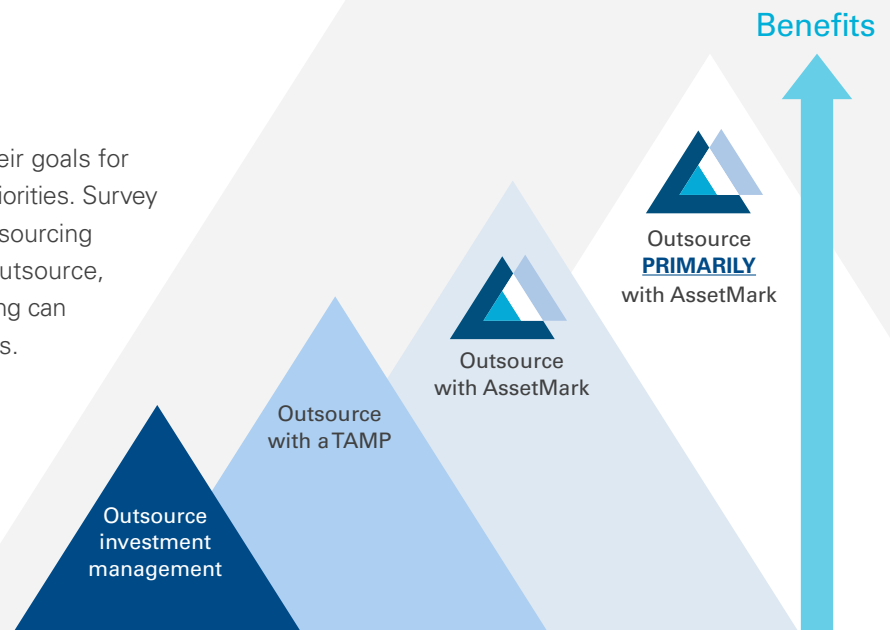
What makes a good outsourcing provider? About half (48%) of advisors report the benefits of outsourcing investment management have exceeded their expectations. When asked why, they point to advantages of their outsourcing provider such as:

- Quality of investment portfolios
- Ease of processes
- Services provided
- Quality of support

Of course, it's also important for advisors to identify their goals for outsourcing and to find a provider that aligns with their priorities. Survey results show those who are "very happy" with their outsourcing decision had significantly more reasons they chose to outsource, indicating that more fully understanding what outsourcing can do and having explicit goals can result in better outcomes.

Why AssetMark?

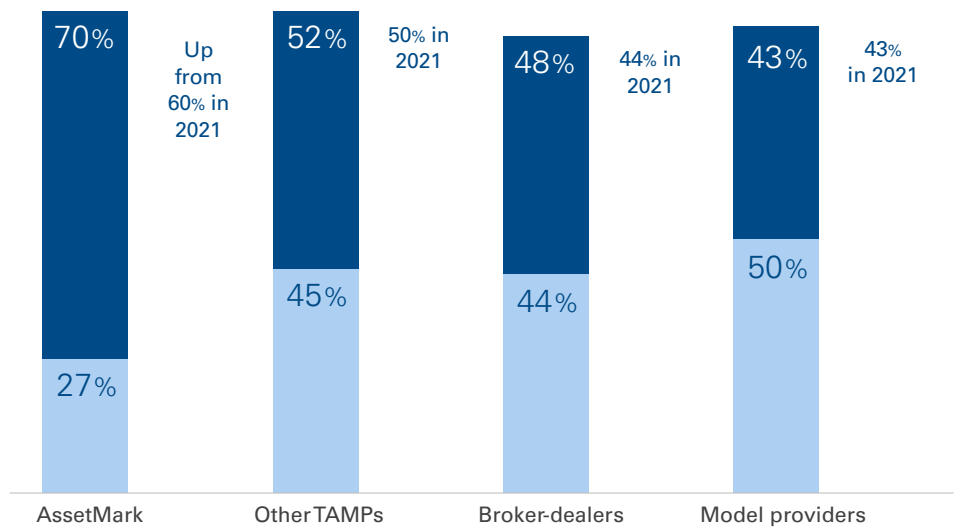
Not all TAMPs are created equal. While advisor satisfaction with the decision to outsource remains high overall in 2024, advisors who use AssetMark cite even higher satisfaction and better outcomes compared to advisors using other providers.



The percentage of AssetMark advisor clients who say the benefits of outsourcing have exceeded their expectations increased significantly from 60% in 2021 to 70% in 2024, while remaining relatively flat for non-AssetMark outsourcers. Key reasons cited by AssetMark advisor clients are quality of support and services provided.

BENEFITS OF OUTSOURCING EXCEED EXPECTATIONS MORE OFTEN WITH ASSETMARK

By primary outsourcing provider ■ Exceeded expectations ■ Met expectations



“Customer support has been outstanding. Technology and platform accessibility has also been seamless for the client. That, mixed with a large selection of investment options, has allowed me to see AssetMark as my go-to source for Investment Advisory accounts.”

—Advisor, Independent Broker-dealer

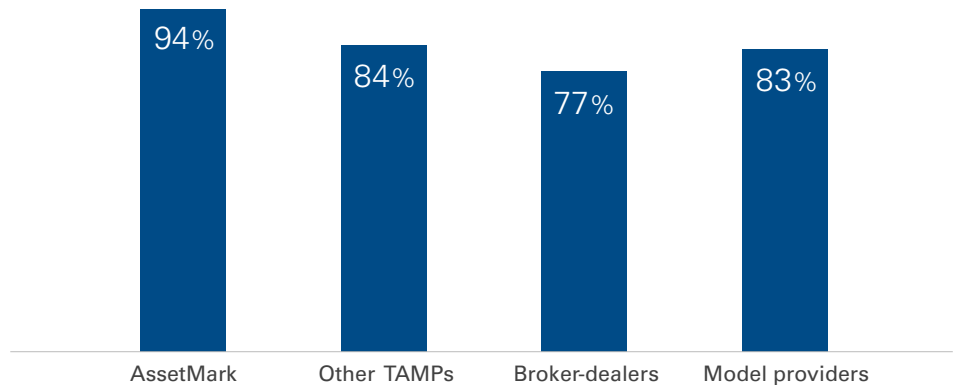
“AssetMark is the single greatest contributor to my practice growth.”

—Advisor, Independent Broker-dealer

What’s more, those primarily outsourcing to AssetMark are more likely to recommend outsourcing to other advisors and are more likely to significantly increase the share of assets they outsource.

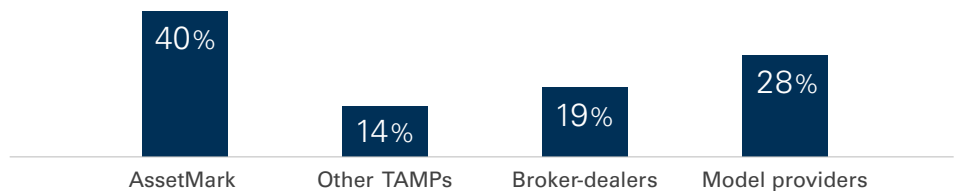
HIGHLY LIKELY TO RECOMMEND OUTSOURCING INVESTMENT MANAGEMENT TO OTHER ADVISORS

By primary outsourcing provider



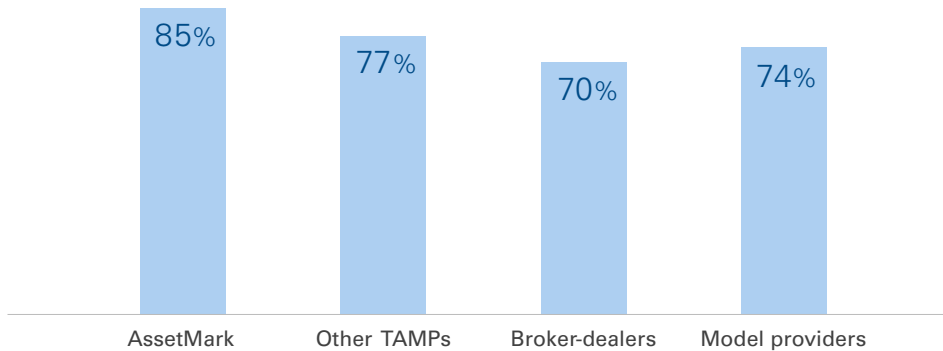
PLAN TO SIGNIFICANTLY INCREASE SHARE OF ASSETS OUTSOURCED

By primary outsourcing provider



A new topic explored in 2024 was serving high-net-worth clients (\$2M+ investable assets). Results revealed this as a top priority for half of advisors who outsource, and most say outsourcing has contributed to their success in this area. AssetMark clients are the most likely to report improvement in their ability to attract and serve these clients.

INCREASED ABILITY TO ATTRACT AND SERVE HNW CLIENTS (\$2M+ INVESTABLE ASSETS) DUE TO OUTSOURCING *By primary outsourcing provider*



*“Working with AssetMark as my primary TAMP is like having a partner, back office, business coach, CFA, and marketing department. **This allows me to focus my time with my clients and to work with new clients.** It has created a great amount of efficiency for me.”*

—Advisor, Independent Broker-dealer



Best TAMP Overall
2023 and 2024

Rated by *The Wealth Advisor*

Work with the Best TAMP

AssetMark makes it easy to get started. There is a reason we were named America’s Best TAMP in 2023 and 2024 by *The Wealth Advisor*, and regularly receive high customer experience scores for our team-based service approach.

When you work with AssetMark, you have full control over how much you choose to outsource. You can outsource management for certain blocks of accounts, specific client profiles, or your entire business. Once you get a feel for the process, we’ll work with you to determine how you can outsource in a meaningful way and identify what tasks you need covered to free up your time.

With AssetMark, you work with a dedicated team who has the expertise to help you add the services and solutions you need to build the practice you want.

Let’s talk.
Visit us at
assetmark.com





About this study

The *Impact of Outsourcing* study was conducted in partnership with 8 Acre Perspective, an independent research firm, and represents the third installment of original research previously conducted by AssetMark in 2019 and 2021.

697 financial advisors participated in the study, completing an online survey between January and March 2024. Participants included 547 advisors who outsource investment management and 150 who do not. All participating advisors are owners/principals/partners at firms in the independent broker-dealer, insurance, and independent RIA channels.

All participants have the following characteristics:

- 7+ years tenure as a financial advisor
- Up to \$500 million in total assets under management
- At least 30% of total assets is fee-based business
- At least 50% of total assets under management is from individual retail investors

Those who outsource investment management have at least 20% of their assets outsourced to a third party (broker-dealer, model provider, and/or TAMP).

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IMPORTANT INFORMATION

The statements herein reflect the views of financial advisors who completed this study. The opinions are their own and relate to their experience with outsourcing and/or using the services provided by AssetMark. AssetMark has not compensated any persons for their statements. The financial advisors are not employed by and unaffiliated from AssetMark.

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