Hybrid vigor: Many RIAs like support from broker-dealers

By Editorial Staff *Thu, Nov 8, 2018*

'Among advisors who switched to the hybrid model in the past one to five years, only 23% would choose to drop their broker/dealer affiliation and move fully to the independent RIA channel,' said a Cerulli Associates research analyst.

The hybrid registered investment advisor (RIA) channel is no longer just "a midway point to owning an operating an independent RIA autonomously" but a distinct business model, according to Cerulli Associates' latest report, *U.S. RIA Marketplace 2018: Designing a Framework for Independence.*

"The hybrid model has staying power," said Marina Shtyrkov, research analyst at Cerulli, in a release. "Among advisors who switched to the hybrid model in the past one to five years, only 23% would choose to drop their broker/dealer (B/D) affiliation and move fully to the independent RIA channel if they were to switch firms."

That may be good news for life insurers who hope to market commission-paying annuities to RIAs. "The appeal of commissionable product access can't be underestimated, even in a fee-based environment," said Shtyrkov. "The difference between being a hybrid RIA—with the infrastructure and product support of a B/D affiliation—and an independent RIA is greater than it may initially seem."

Over the past decade, the hybrid RIA channel more than doubled its share of advisor headcount, to 8.8% from 4.1%. "This migration is primarily from wirehouses and independent broker/dealers (IBDs). Almost one-quarter of advisors who switched to the hybrid RIA channel one to five years ago are either wirehouse or independent B/D advisors," she said.

The hybrid RIA channel attracts advisors who want autonomy with partial infrastructure, product access (commissionable and fee-based products), and a platform that can support growth. It can also absorb advisors who can't or don't want to manage a business and also work with clients, according to Cerulli.

Hybrid RIAs have grown faster than their independent RIA peers, the Cerulli report shows. Across all assets-under-management (AUM) segments from 2012 to 2017, hybrid RIAs saw a higher five-year compound annual growth rate (CAGR) than independent RIAs, thanks in part to their B/D support.

The Cerulli report provides additional insight into the dynamics of the RIA channel, including a comparison of long-term hybrids with transitional hybrids, an analysis of market sizing, advisor attributes, custodian and asset manager relationships, investment decisions and product use, and practice operations and growth strategies.

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