ADVISOR RESEARCH COLLABORATIVE | CERULLI ASSOCIATES

The Organic Growth Imperative

Building sustainable growth in a consolidating RIA market



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Introduction

When registered investment advisors (RIAs) subtract market performance from overall increases in assets under management, the resulting organic growth rate is far smaller than many realize. Lack of a repeatable, focused business development strategy can leave many firms, especially smaller ones without access to technology or personnel, at the mercy of the personal efforts of founding partners.

KEY POINTS

RIAs typically experience annual asset attrition of between 2% and 5% of their overall assets under management (AUM), excluding client departures. This rate can result from multiple factors, including portfolio composition and client demographics. Without a dedicated business development emphasis, RIAs immediately put themselves at a disadvantage, as client assets naturally tend to decline throughout the year.

As RIAs evolve, Cerulli anticipates that more of them will create business development roles separate from core advisory functions. This practice could create distinct career paths for both dedicated advisors and those more inclined toward business development, while helping to ensure a steady stream of new client opportunities.

Defining their brand and documenting the type of client they can best serve are important first steps in an RIA's successful marketing strategy. Firms often leverage existing client characteristics, such as business ownership, professional employment, and lifestyle-based profiles, to develop areas of core expertise that lend themselves to a repeatable business development process.

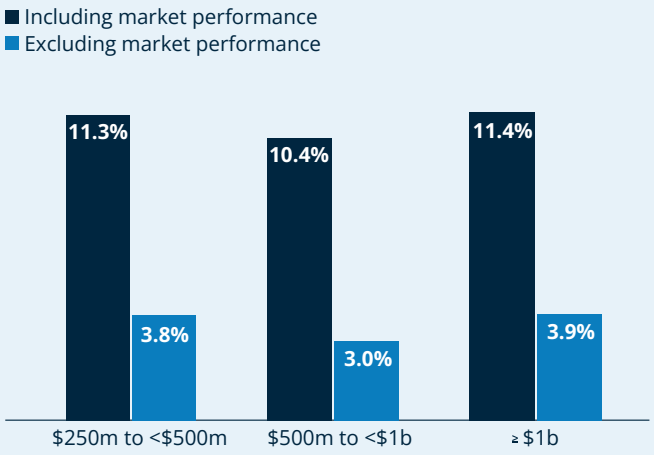
Fueled by advisors demanding independence and strong market performance, assets within the registered investment advisor (RIA) channel have grown at an 11% compound annual growth rate (CAGR) during the past decade. Strong equity markets supported this expansion, buoying assets and accelerating firms' growth in assets under management (AUM). Yet, robust financial markets can mask the true performance of RIAs on business fundamentals. In other words, how do RIAs grow exclusive of market appreciation?

For many RIAs, the answer is challenging, stemming from uncertain client inflows, existing client outflows, and managing business development prospects, prompting some firms to neglect their organic growth. In an ever-consolidating market, the need for positive net asset flows cannot be overstated, given their impact on the future of the RIA channels. The need for dedicated marketing, business development, and client service mindsets is crucial as firms seek to retool and refocus for their next stage of growth and opportunity. The challenge facing RIAs today is how best to execute on these priorities as they seek to tap new markets and leverage emerging technology in the process.

RIAs grew 10%-11%, depending on their overall size, between 2019 and 2024. However, Cerulli's market sizing shows that portfolio performance, which averaged 7.5% annually during that time, has inflated true RIA growth figures. After accounting for market performance, true RIA expansion rates have averaged a middling 3%–4% annually. Within the fastest-growing wealth management channels, market performance has played a significant role in making AUM appear artificially inflated. This 3%–4% growth becomes even more concerning when considering both merger and acquisition (M&A) activity as well as breakaways launching new RIAs. While these two measures are not accounted for in Cerulli's estimated organic growth, Cerulli anticipates the market growth data would decline further had they been considered.

Exhibit 1 | RIA Asset Growth Rate Benchmarks, 2019–2024

5-Year Asset Growth



Source: Cerulli Associates | Analyst Note: Asset growth rate benchmarks track the AUM growth of the same set of RIA firms over time. By limiting the scope to only firms that have existed during the entire duration of a given time period, the benchmarks reduce the impact of entrants into or exits out of the channel (e.g., retirements, breakaway advisor movement) on growth. As a result, these benchmarks better represent the rate at which established RIA firms are growing through organic and inorganic strategies. Growth rates are based only on advisory AUM and exclude hybrid RIAs' brokerage assets. Firm AUM represents the RIA's assets under management at the starting point of the growth period. Firms must have been registered with the SEC or state as an RIA since 2014 to be included and currently reporting a non-zero AUM figure. Boutique DC consultants are excluded.



Resource and Time Constraints

Most RIAs are subscale, with more than 17,000 firms operating below the $1 billion in AUM threshold. The barriers to growth for smaller firms hinge on the resources they can access. Technology costs are significant and can present a barrier, as do the economic considerations surrounding hiring new staff to support business development.

Furthermore, senior advisors often are time-constrained, allocating just 7% of their time to prospecting for new clients and an additional 6% to fractional practice management activities, which may include marketing and business planning. This compares to the 20% of their time spent on investment management and rebalancing.

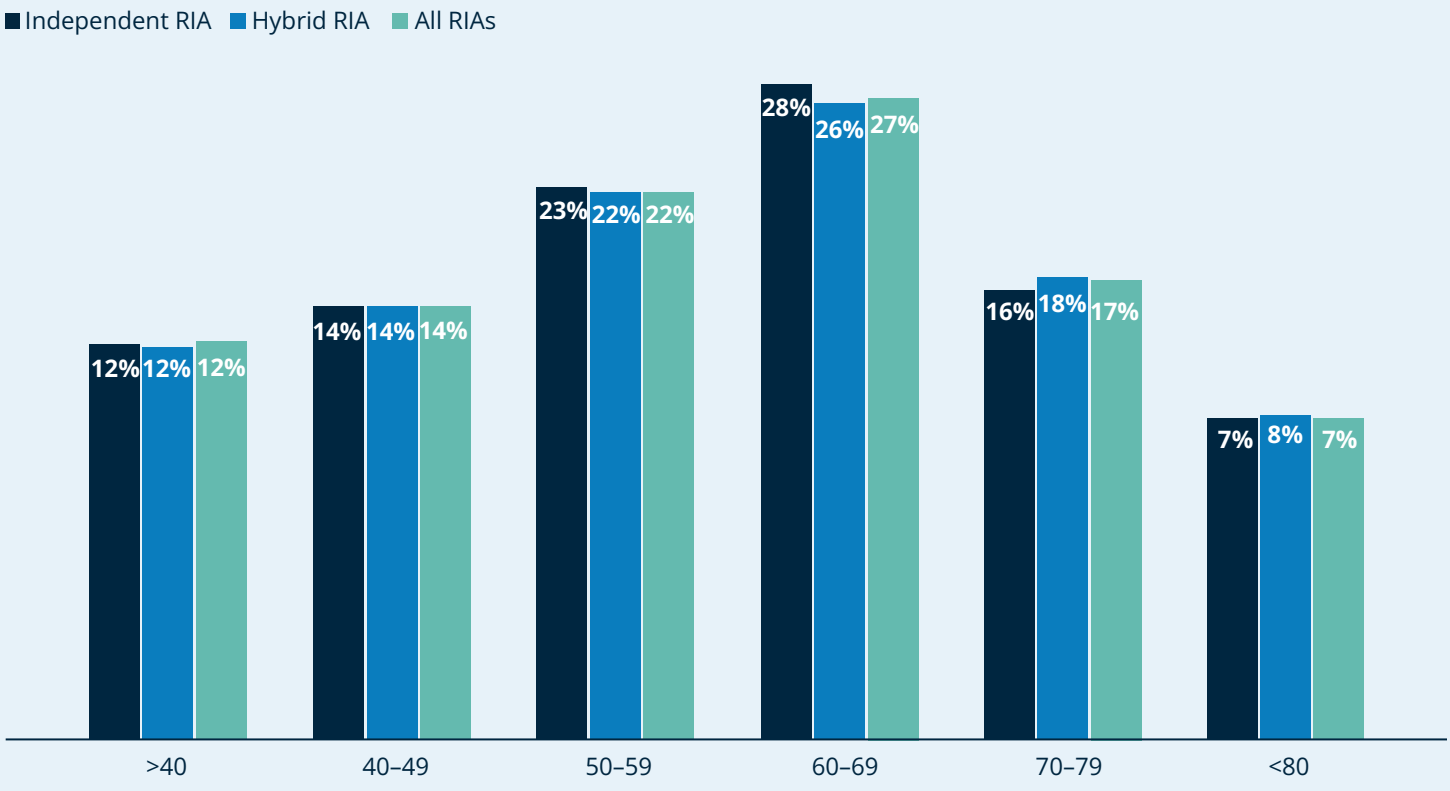
Reinforcing their current positioning, more than half of RIAs consider new client acquisition a leading challenge for their practice. Magnifying this issue are knock-on challenges, including differentiating their value proposition (25%) and building multigenerational client relationships (20%). Not surprisingly, RIAs remain confident about their client retention, with just 13% of RIAs viewing it as a challenge.

Through the Cerulli Associates Advisor Research Collaborative, advisors within RIAs were asked to report their organic growth rate in 2024. This data yielded unique insights, as many RIAs estimate their growth rates to be significantly higher than those calculated through market sizing efforts. Across all RIAs, 62% of advisors report organic growth above 6%. While Cerulli appreciates advisors' high expectations for their practices, documented growth rates continue to highlight notable gaps in many areas of these channels.

Climbing Back to Zero

A key element of organic growth is how firms counteract the natural asset churn they encounter throughout the year. While it would be far easier for RIAs to manage the assets of wealthy, mid-career investors who never draw down their assets, that is not the reality of today's client demographics. More than half of RIAs' clients are age 50 or older, and 25% are age 60 or older. These clients are either in or approaching the decumulation stage, in which asset spending increases as assets are depleted.

Exhibit 2 | Client Age, 2025



Source: Cerulli Associates

> **It can be challenging to see 8% growth get cut down to 3% or 4% because they didn't account for their clients'withdrawals impacting their asset base."**
>
> *– A practice management consultant*

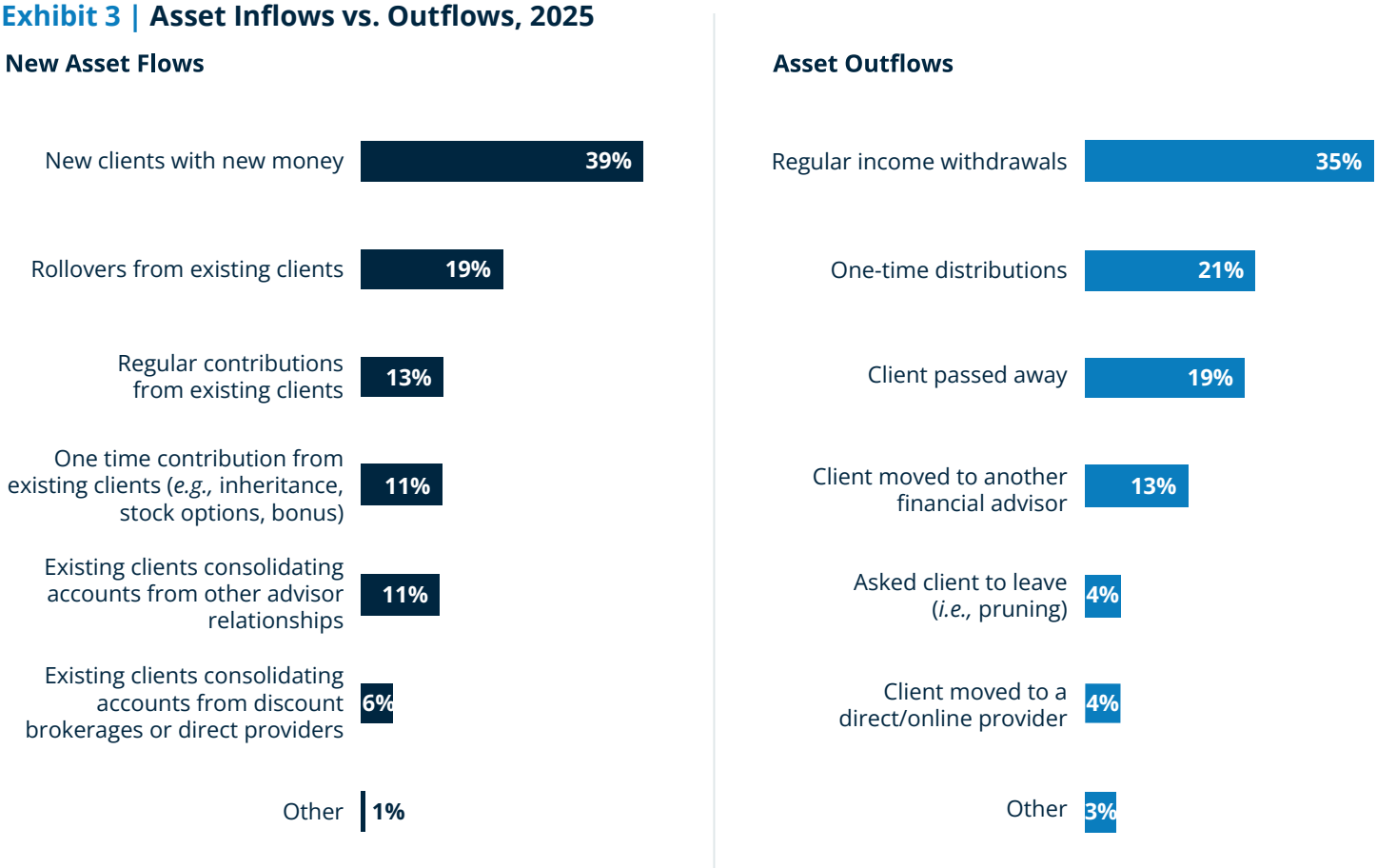
Regular income withdrawals and one-time distributions accounted for 56% of RIAs' outflows in 2025. In conversations with practice management professionals across the industry, Cerulli has found that RIAs typically experience annual asset attrition of between 2% and 5% of their overall AUM, excluding client departures. This rate can result from multiple factors, including portfolio composition and client demographics. Without a dedicated business development focus, RIAs immediately put themselves at a disadvantage, as client assets naturally tend to decline throughout the year. In many regards, this can immediately dampen organic growth.

Pivoting from M&A to Organic Growth

Overall, marketing has been a challenge for RIAs, with an average allocation of just 5% of total expenses to these activities. Across the recent history of RIAs, the primary focus has been centered on inorganic opportunities, driving growth through M&A. With M&A activity becoming commonplace in the market, the overall focus on growth is shifting back toward organic opportunities.

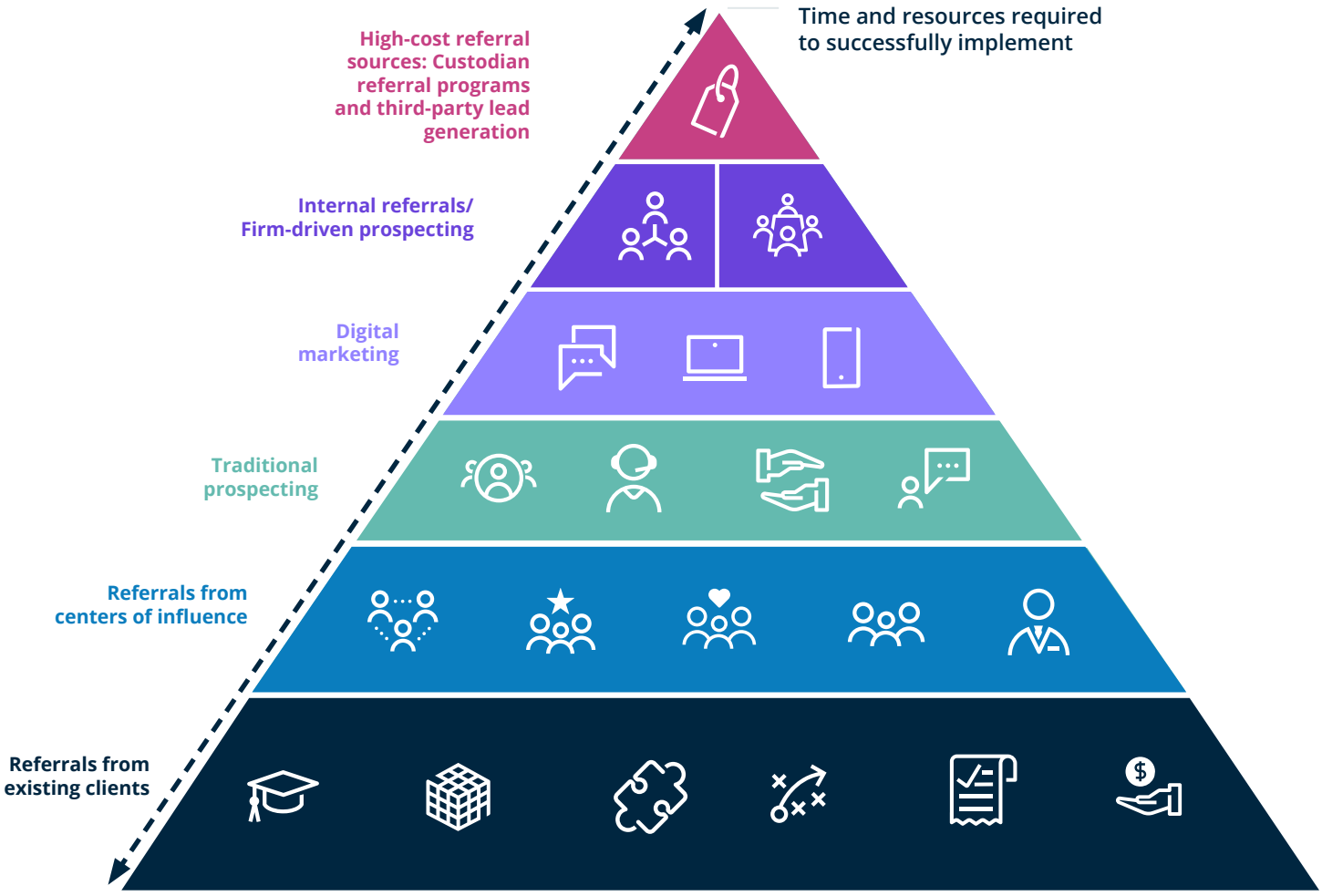
While marketing options are widespread, the real challenge lies in internal support for them during execution: only 14% of RIAs use a dedicated marketing resource, and smaller or undercapitalized firms often have limited solutions. Some RIAs can work with an external marketing consultant or fractional chief marketing officer to start, while others may rely on technology, through which automation and customized content offer more scalable options. Without a dedicated resource, RIAs will encounter pitfalls related to advisor time and the conflicting needs of the business; strong follow-through will outpace any flash-in-the-pan idea. RIAs recognize their relative weakness in terms of capacity, and 35% of firms plan to reduce their operational responsibilities to better support organic growth efforts.

Exhibit 3 | Asset Inflows vs. Outflows, 2025



Source: Cerulli Associates | Analyst Note: Respondents were asked for the distribution of new asset flows in the past 12 months.

Exhibit 4 | Building Blocks of Organic Growth



- High-cost referral and lead-generation sources can create cycles in which RIAs are comfortable sacrificing revenue for new client growth. Due to their time and limited access or win rates, these referral sources are more rare and unattainable for many firms.
- At larger RIAs, firm-driven marketing and organic growth tools can be a great growth engine, but it is highly dependent on the firm's ability to coach and drive engagement or adoption by advisors.
- Digital marketing is a larger time investment, but it can pay dividends for firms that invest the time and resources to develop a brand. It is multi-faceted and can range from podcasts and video content to messaging and email campaigns.
- Building relationships across a community can drive long-term engagement and create opportunities to specialize with niche groups.
- Cultivating a strong network of supporting professionals around clients' needs can build new inroads for prospects who have existing relationships but need wealth services.
- A strong base of referrals can sustain a practice with a consistent drip of potential new clients. Educating advisors on strategies and implementing formal processes can help make this more programmatic than casual.

Source: Cerulli Associates

Cerulli recommends custodians and strategic partners provide access to marketing guidance that can help firms make incremental marketing implementations, with an eye toward scalable solutions.

Splitting the Pie

The advantage of scale in the RIA channels has created opportunities for firms to pursue new growth strategies. One such model involves business development as a separate process from core advice delivery. For rapidly expanding RIAs, this can ensure a continuous pipeline of new assets while helping advisors who may be reluctant to build new business from scratch. A private equity investor familiar with firms that have dedicated business development teams told Cerulli, "[Advisors] do a really great job with warm leads and they'll sell them and they'll bring them on and they'll service the clients well, but tell them to go prospect a client from scratch and they're like… I don't do business development."

As the future of RIAs evolves, Cerulli expects more firms to adopt this strategy, defining roles for both service advisors and those with stronger business development capabilities. A small but growing number of business development professionals highlights the importance of effective marketing for these firms. Without an intentional business development strategy, firms risk becoming overly dependent on first-generation founders and partners for business development, adding another layer to the ongoing succession crisis facing the industry.

Executives at large RIAs recognize the need for them to act more quickly as the industry evolves. With dozens, or even hundreds, of advisors under them, building scale in each part of the business has become the norm, and business development is no exception. From local or brand-wide access to custodian referral programs to technology-driven marketing platforms such as FMG Suite, enterprise RIAs face more opportunities than ever to support growth. However, they must be strategic in how they allocate resources and develop a comprehensive firm-wide plan. Providing advisors with the tools may not be enough to guarantee strong, organic growth, which often is cited as the second most effective organic growth strategy RIAs use today.

Creating a Pipeline of Qualified Leads

Data and conversations with RIAs across the industry confirm that referrals are a leading source of new clients. Among billion-dollar RIAs, 68% cite referrals from clients, friends, or family members, and referrals from centers of influence, as two of the top-three most productive sources of organic growth. Similarly, across RIAs of all sizes, referrals account for 74% of new client acquisition. Given their outsized importance to new client growth efforts, one would expect RIAs to have dedicated systems and processes for generating client referrals. In reality, most firms are passive in their referral efforts, making offhand suggestions at the close of a meeting or including it as a component in an email signature. Currently, just 51% of RIAs proactively ask for client referrals, with 22% planning to implement them as part of an organic growth strategy.



The ability to point back to the brand can support referrals, create more touchpoints, and reinforce potential client fit.

These asymmetric strategies can help drive new client engagement, but they lack consistency and a repeatable model to drive sustained growth within a practice. In the context of organic growth, referrals are the most cost- and time-efficient sources and, with a well-executed strategy, can serve as a steady underlying current fueling the business. RIAs are eager to maximize referral opportunities once they have systematized their efforts. One of the first steps RIAs can take is enhancing their existing brand or working to better identify and document who they serve, using unifying materials such as a mission statement or core values.

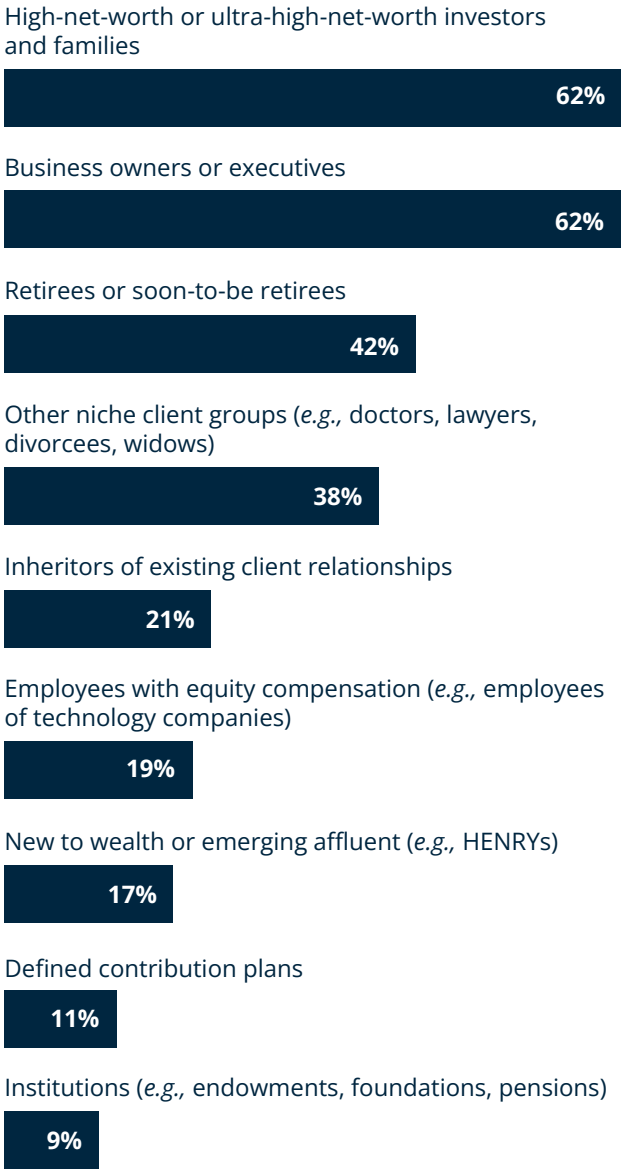
Firms that establish a clear and consistent brand can build referrals more effectively than those that rely on websites with slim-to-no details and an air of perceived exclusivity. At the same time, firms that seek to support all client types—with subpages for every possible client—create an environment in which investors know they would be one of many, with little to no specialization. While that may not be the case in practice, perception is the only reality until a prospect is actively engaged with the firm.

Specialization Within a Practice

When developing referral strategies, successful RIAs often leverage existing client personas to create new engagement approaches. Some firms focus on specific groups such as business owners, professional athletes, or other distinct client segments, each with its own unique and demanding service needs.

According to billion-dollar RIAs surveyed, Cerulli finds 38% concentrate on profession-focused or lifestyle-focused client segments, and 62% currently target business owners. Generalized segmentation can support content marketing and business development. However, some firms have found success building a core group of these clients and then developing institutional knowledge that can lead to specialization over time. One large RIA executive told Cerulli, "We've identified a distinct group of personas that are typical of the kind of clients that we work with, and we are in the process of having advisors sort of self-select into maximizing one or two personas that they would be a specialist or an expert in." Creating a culture of specialization within the practice promotes scenarios in which advisors within the same firm can refer business to one another, ensuring clients receive the best advice for their unique situations without fear of cannibalizing opportunities.

Exhibit 5 | Billion-Dollar RIAs: Areas of New Client Growth, 2025



Source: Cerulli Associates | Analyst Note: RIA executives were asked, "What are your firm's top-three areas of new client growth?" Respondents could select up to three options.



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>
> *– An executive at a large RIA*

At some RIAs, specialization has led to significantly greater organic growth than expected. For example, some firms focus on retirement plans tailored to employees of specific companies, such as those in telecommunications. Because of their large employee base and close geographic proximity, referrals tend to come more easily as the firm demonstrates its services to initial clients within that group, creating a network effect that extends to second-layer and third-layer contacts who need similar assistance navigating their retirement plan options.

From valuation and staffing to service offerings, the ability for firms to grow net of market can influence RIAs in multiple ways. In today's RIA market, just as inorganic growth has driven a significant number of transactions and the consolidation of trillions in assets, the need for strong and sustainable organic growth has never been more important.

The diversity of organic growth sources will play a key role as RIAs continue to expand. Developing organic growth strategies that draw from all corners will be critical as competition intensifies.

Artificial intelligence (AI) will play a pivotal role, as more technology tools offer RIAs access to generative AI for marketing and content creation, which runs the risk of oversaturating the market with "custom content." In efforts to reach investors, RIAs are considering retooling their websites to ensure they are visible in AI-powered search results. As AI becomes more advanced, staying ahead of the curve becomes that much more challenging for resource-strapped RIAs.

Increasingly, RIA acquirers and investors are considering RIAs' ability to organically grow their businesses as a driver of valuations and their ability to grow after a transaction. In serving RIAs that are on a path toward M&A, either as a platform or a seller, strategic partners should focus on supporting the development of scalable organic growth platforms that can enhance advisors' existing activities and function as an accelerator for future expansion.

Despite the outsized importance of referrals in new business efforts, close to half of RIAs rely on a passive, offhand approach in this area.



Advisor Research Collaborative

Cerulli's Advisor Research Collaborative (ARC) is the largest financial advisor research network in the U.S. For over 30 years, it has served as the foundation for Cerulli's strategic intelligence on the U.S. wealth management marketplace. More than 2,000 financial advisors regularly participate in the Collaborative to benefit from shared insights and recommendations.

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