



Value Of CIMA[®] and CPWA[®] Certifications

Cerulli Associates | Investments & Wealth Institute



Summary

Since 1985, when the Investments & Wealth Institute was founded, the financial advisory profession has grown dramatically. Today's investors have more choices than ever before, as do the advisors who serve them. Our industry has experienced an evolution of advisory channels, compensation models, new product use, and the implementation of advanced technology. The knowledge required to deliver competent financial advice has grown substantially. Along with these changes, we have also witnessed increased competition, margin compression, and a war to attract competitive talent.

So how do financial advisors differentiate themselves and remain relevant? They do so through ongoing academic training and earning advanced credentials.

This report compares practices with the Certified Investment Management Analyst® (CIMA®) and the Certified Private Wealth Advisor® (CPWA®) certifications to all advisors across three key trends. These trends are shaping the financial advice industry and testing advisors' abilities to grow and drive practice profitability. In this new era, advisors must adapt by recognizing how to:



Navigate an increasingly fiduciary environment

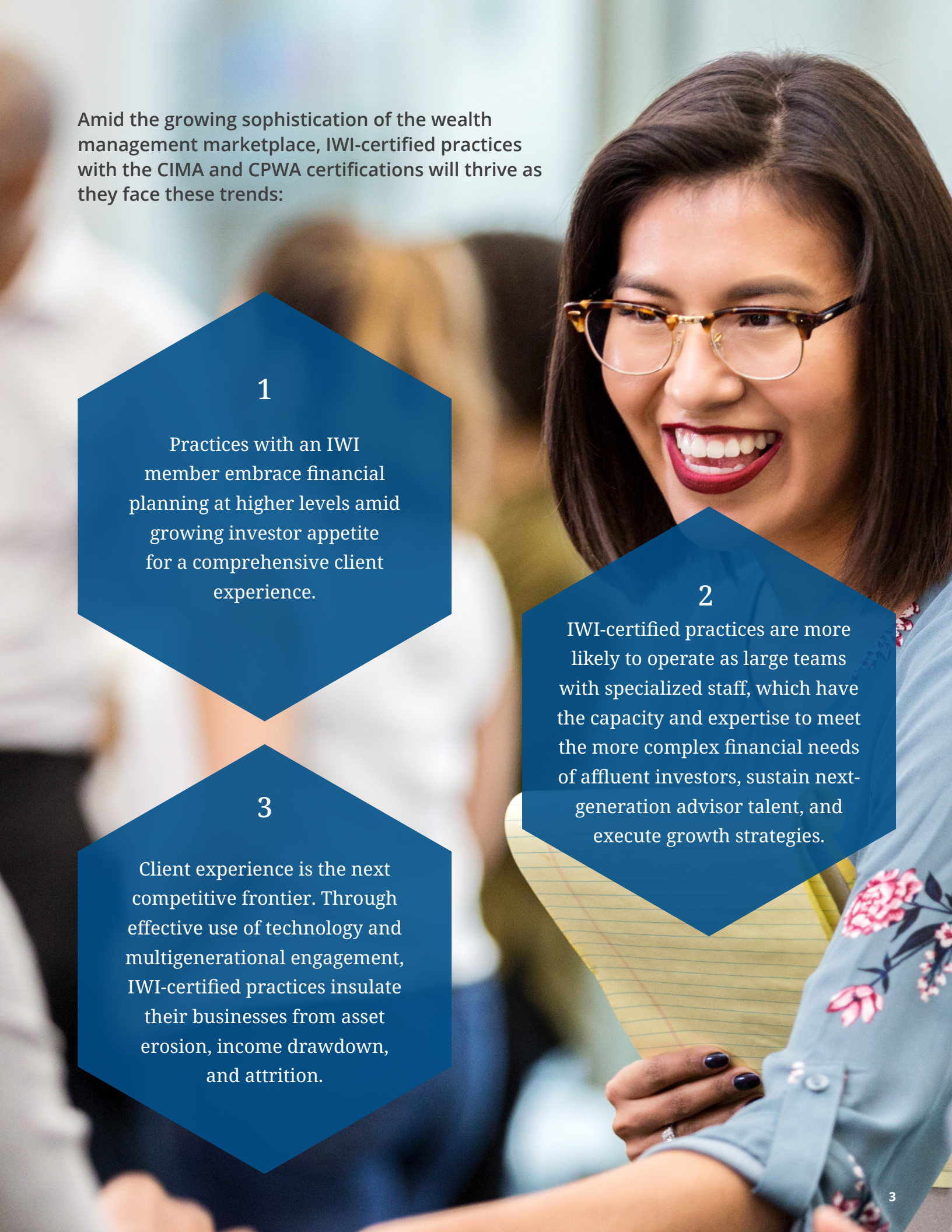


Maximize human capital



Curate a client experience





Amid the growing sophistication of the wealth management marketplace, IWI-certified practices with the CIMA and CPWA certifications will thrive as they face these trends:

1

Practices with an IWI member embrace financial planning at higher levels amid growing investor appetite for a comprehensive client experience.

2

IWI-certified practices are more likely to operate as large teams with specialized staff, which have the capacity and expertise to meet the more complex financial needs of affluent investors, sustain next-generation advisor talent, and execute growth strategies.

3

Client experience is the next competitive frontier. Through effective use of technology and multigenerational engagement, IWI-certified practices insulate their businesses from asset erosion, income drawdown, and attrition.

Glossary of Terms

IWI-Certified Practices: Practices with at least one individual who has obtained the Certified Investment Management Analyst (CIMA®), Certified Private Wealth Advisor (CPWA®), or Retirement Management Advisor (RMA®) certification through the Investments & Wealth Institute.

The Investments & Wealth Institute (IWI) is a professional association, advanced education provider, and standards body for financial advisors, investment consultants, financial planners, and wealth managers who embrace excellence and ethics. Through events, continuing education courses, award-winning publications, and acclaimed certifications—CIMA®, CPWA®, and RMA®—the Institute delivers rigorous, highly practical education. The Institute is committed to improving the professionalism of the financial advice industry. It supports high standards of professional conduct and delivers Ivy League-quality education with real-world practical application to advance the advisory profession and provide better outcomes for the investing public.

CIMA-Certified Practices: Practices in which at least one individual has obtained the Certified Investment Management Analyst® (CIMA®) certification. The CIMA certification is the peak international, technical portfolio construction program for investment consultants, analysts, financial advisors and wealth management professionals. CIMA certification stands out among other financial certifications for its effective emphasis on the combination of theory and practical application. Obtaining the CIMA certification is a rigorous undertaking. The process typically takes 9-14 months. It involves a three-year experience requirement, an ethics requirement, completion of an executive education program (currently offered by The University of Chicago Booth School of Business, The Wharton School, University of Pennsylvania, Yale School of Management (online), or the Investment Management Research Program – Australia), and passing a comprehensive exam.

CPWA-Certified Practices: Practices in which at least one individual has obtained the Certified Private Wealth Advisor® (CPWA®) certification. The CPWA designation is an advanced professional certification for advisors who serve high-net-worth clients. It's designed for seasoned professionals who seek the latest, most advanced knowledge and techniques to address the sophisticated needs of clients with a minimum net worth of \$5 million. Unlike credentials that focus specifically on investing or financial planning, the CPWA program takes a holistic and multidisciplinary approach. Obtaining the CPWA certification is a rigorous undertaking. The process typically takes 6-8 months. It involves a five-year experience requirement, an ethics requirement, completion of an executive education program (currently offered by The University of Chicago Booth School of Business, Yale School of Management (online), or the Investments & Wealth Institute), and successfully passing a comprehensive exam.

RMA-Certified Practices: Practices in which at least one individual has obtained the Retirement Management Advisor® (RMA®) certification. The RMA program is an advanced certificate program and pathway to certification that focuses on building custom retirement income plans to mitigate clients' risks and to master the retirement planning advisory process, all within an increasingly regulatory environment. Focused on outcomes, not expectations, the RMA certification provides advisors with practical tools, techniques, and methodologies. The result is a set of knowledge and skills that can satisfy clients' retirement needs. Learners may elect to complete just the online course and receive a certificate of completion, or advance through the capstone course and the final exam to receive the RMA certification.

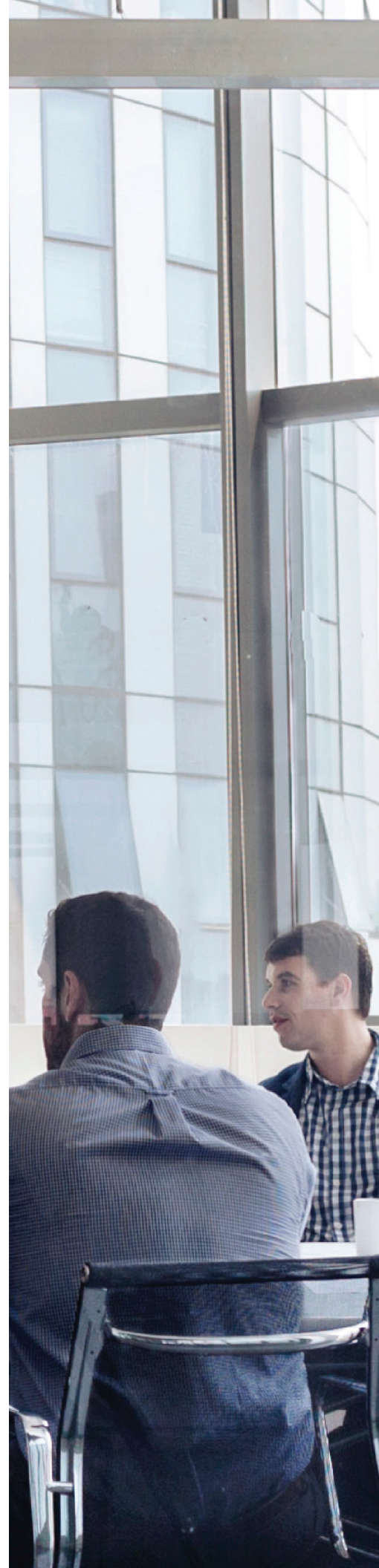
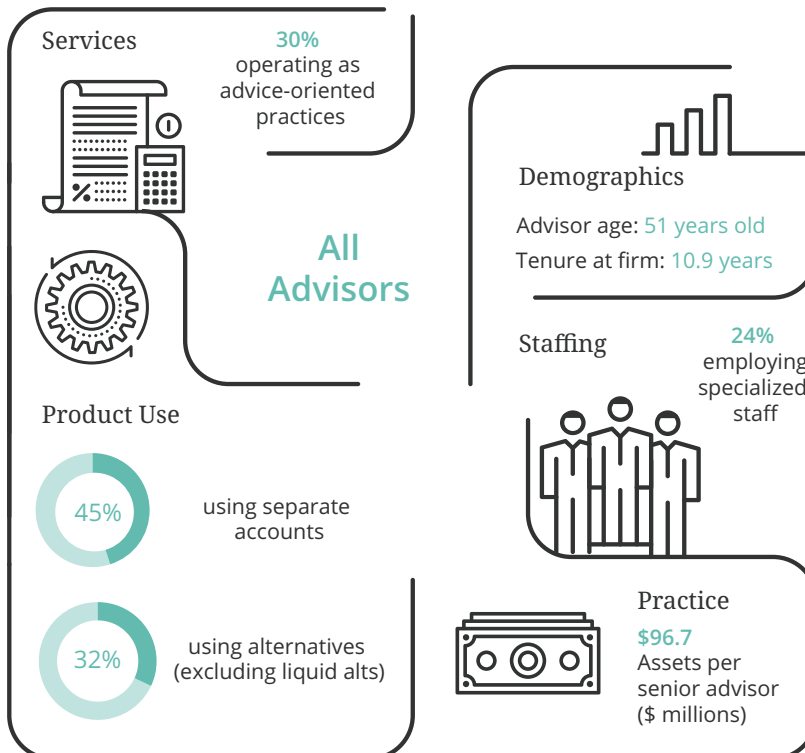
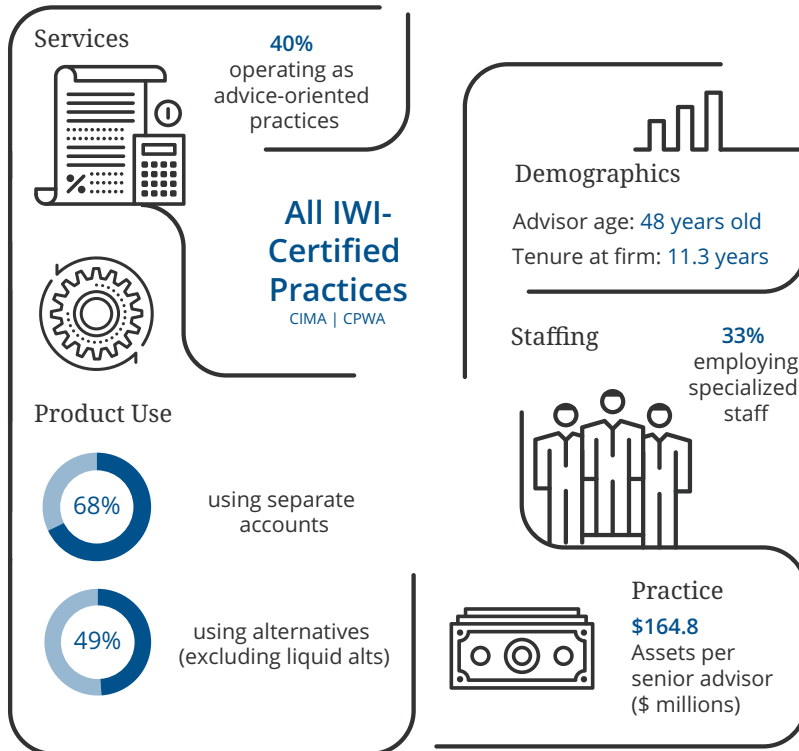




IWI-Certified vs. All Advisors: Practice Profile, 2019















Sources: Cerulli Associates, Investments & Wealth Institute

Analyst Note: Advice-oriented practices are either financial planners or wealth managers, as defined by Cerulli's proprietary practice type segmentation. A financial planner develops complete financial plans for clients based on an extensive analysis of their assets and liabilities. A wealth manager specializes in complex wealth management and transfer issues unique to affluent clients.



CIMA and CPWA: Practice Profile, 2019

Sources: Cerulli Associates, Investments & Wealth Institute

Attributes	CIMA-Certified Practices	CPWA-Certified Practices	All Advisors
 Practice	 \$2,165,733 Average client size	 \$3,667,059 Average client size	 \$1,357,698 Average client size
 Staffing	 32% employing specialized staff	 40% employing specialized staff	 24% employing specialized staff
 Demographics	Advisor age: 48 years old Tenure at firm: 12.1 years	Advisor age: 48 years old Tenure at firm: 11.3 years	Advisor age: 51 years old Tenure at firm: 10.9 years
 Services	 39% operating as advice-oriented practices	 59% operating as advice-oriented practices	 30% operating as advice-oriented practices
 Product Use	<div> <div>45%</div> <div>70%</div> </div> <div> using alternatives (excluding liquid alts) </div> <div> using separate accounts </div>	<div> <div>59%</div> <div>70%</div> </div> <div> using alternatives (excluding liquid alts) </div> <div> using separate accounts </div>	<div> <div>32%</div> <div>45%</div> </div> <div> using alternatives (excluding liquid alts) </div> <div> using separate accounts </div>

Trend 1: Navigating an Increasingly Fiduciary Environment

Across channels, advisors face greater pressure from both investors and regulators to operate in an increasingly fiduciary model. From 2011 to 2019, the share of investors who were either unsure of how they paid for advice or thought it was complimentary has declined from 64% to 45%. Simultaneously, the percent of investors who report paying only fees or a fee and commission mix rose from 17% to 34% over that same timeframe. As more advisors move to fee-based business models, they are explaining their new pricing and compensation structures to investors, which is also driving up awareness. **Investors are willing to pay for advice but have become increasingly aware of fees, demanding greater clarity from advisors on how they pay for advice and what they receive in return.**

Rising awareness is leading advisors to seek avenues that expand their value proposition and offer a more holistic client experience. As a result, many are increasing the proportion of their client base that receives financial planning services. **Advisors who effectively integrate financial planning into their service model find that it not only broadens and deepens their ability to deliver value, but also strengthens client relationships.**

IWI-certified practices embrace financial planning at higher levels than the overall industry. Currently, IWI-certified practices provide comprehensive ongoing planning advice to 61% of their clients, and they plan to increase that segment to two-thirds by 2021. On average, just half (49%) of all advisors' clients currently receive comprehensive financial planning; that figure is expected to rise to 57% over the next two years. IWI-certified practices' propensity for comprehensive planning will create tailwinds as fee transparency, profit margin compression, and investors' fee awareness continue to climb.

Regulators are also placing advisors under greater scrutiny concerning the investment solutions recommended to investors. This oversight is not only in terms of suitability, but also the cost/benefit to the end-client. **Practices that choose to insource their investment decision-making must be equipped to navigate an increasingly diverse product landscape and articulate the reasoning behind those choices as they help clients achieve their financial goals.**

Services Offered, 2019

Sources: Cerulli Associates, Investments & Wealth Institute



Private
banking



Charitable
planning



Trust
services



Intergenerational
planning



Estate
planning

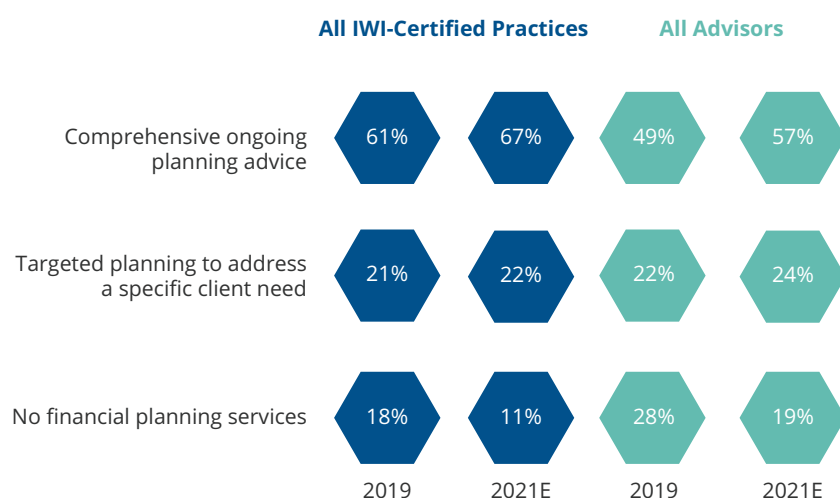
CIMA-Certified Practices	36%	69%	47%	60%	68%
CPWA-Certified Practices	49%	83%	60%	73%	82%
All IWI-Certified Practices	38%	70%	48%	62%	68%
All Advisors	20%	54%	32%	50%	61%

The Institute's ongoing training and resources provide members with continuous opportunities to develop the skills needed to engage in this process, and Institute members have demonstrated a willingness to use a broader set of investment tools than their peers. Advisors in IWI-certified practices are more likely to use alternative investments and separately managed accounts (SMAs) than their peers, in addition to allocating more client assets to exchange-traded funds (ETFs), SMAs, and alternative investments. This is particularly important as they typically work with more affluent clients who have more complex financial needs.

Financial Planning Clients, 2019 vs. 2021E

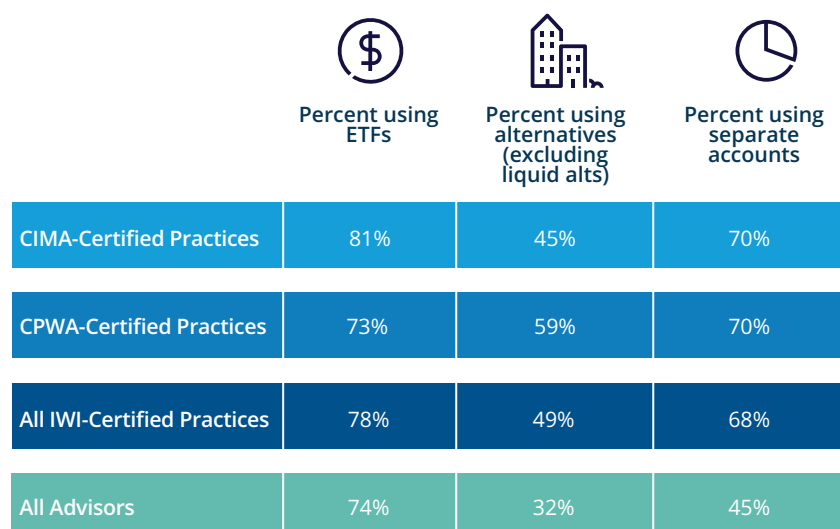
Sources: Cerulli Associates, Investments & Wealth Institute

Analyst Note: Data represents the proportion of an advisor's clients who receive comprehensive, targeted (modular/issue-based), or no financial planning services, on average.



Product Use, 2019

Sources: Cerulli Associates, Investments & Wealth Institute



IWI-certified practices are leading the shift to fee-based pricing. More than half (54%) of IWI-certified practices derive 90% or more of their revenue from advisory fees. Overall, 40% of the advisor population is primarily fee-based.

Advisors in IWI-certified practices are more likely to use alternative investments and SMAs because they typically work with more affluent clients who have more complex financial needs.

IWI-certified practices allocate more client assets to ETFs, SMAs, and alternative investments than the industry average.

Trend 2: Maximizing Human Capital

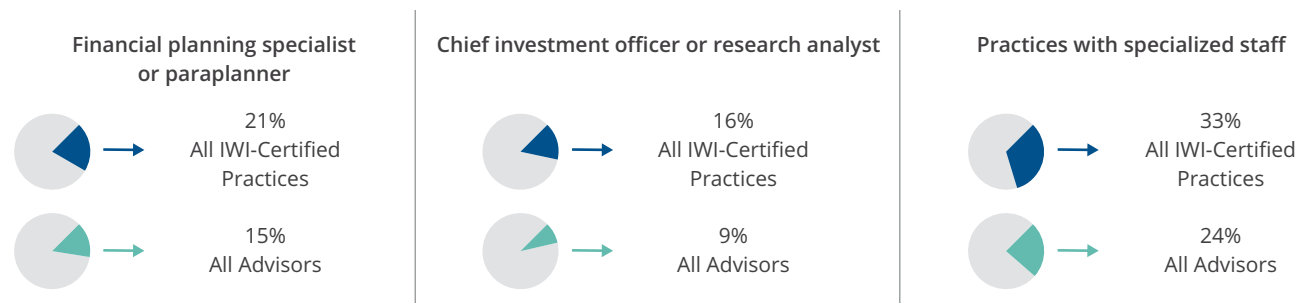
As advisors seek to deliver more services to clients and create operating efficiencies, a growing number of practices are embracing a team-based approach. Teaming provides several advantages in an increasingly competitive landscape. It allows advisors to leverage economies of scale, achieve growth milestones, and diversify their client base. **By pooling resources and collective expertise, advisors can extend their capabilities, deepen intellectual capital, and create specialization.** In turn, the practice has capacity to execute new strategies that power growth (e.g., geographic expansion, mergers and acquisitions, next-generation investor engagement).

Compared to the overall industry, practices with CIMA and CPWA certificants tend to be larger, multi-advisor teams with a deeper specialist bench. **Two-thirds (66%) of IWI-certified practices operate in a team structure, compared to 52% of all advisors.** Likewise, one-third of IWI-certified practices employ specialized staff (e.g., financial planning specialists, investment analysts), compared to 24% of all advisors. CPWA-certified practices, in particular, employ specialized staff at higher rates, which provides a valuable edge in their focus on serving high-net-worth (HNW) clients.

Percent Employing Specialized Staff, 2019

Sources: Cerulli Associates, Investments & Wealth Institute

Analyst Note: Practices with specialized staff have at least one designated financial planning, investment research, marketing, or compliance role.



By leveraging specialization, practices can expand the depth and breadth of their services. A robust service menu is vital for catering to the more complex needs of wealthy households. The added expertise and capacity also make it possible for practices to serve other client types, such as institutions (e.g., foundations, endowments). **Specialization is the gateway to serving a more sophisticated client base.**

As a result of their higher degree of specialization, **16% of IWI-certified practices operate in a wealth management model, which is more than double the proportion of all advisors who are wealth managers.** Wealth managers specialize in comprehensive wealth management and transfer issues, including stock option planning, executive compensation, and charitable giving. They offer a complete range of planning services, but place an emphasis on services that are most applicable to affluent investors. IWI-certified practices—and specifically, CPWA-certified practices—also offer more advanced planning services, such as charitable planning and trust services, than the industry average.

Service Emphasis	Practice Type	Definition	Services Offered
<div>Investment Management</div> <div>↕</div> <div>Advice</div>	Money Manager	Build portfolios of individual securities for clients and focus exclusively on asset management	Investment management and asset allocation
	Investment Planner	Emphasize asset management as their primary service and provide modular issue-based planning	Primary focus on investment, retirement, and education planning
	Financial Planner	Develop complete financial plans based on an extensive analysis of their clients' assets and liabilities	Full range of planning services, including income, tax, and insurance
	Wealth Manager	Specialize in comprehensive wealth management and transfer issues, including stock option planning, executive compensation, complex trust and estate planning, and charitable giving	Complete range of planning services; emphasis on complex estate, charitable giving, and business planning

Advisors with Institutional Clients, 2019

Sources: Cerulli Associates, Investments & Wealth Institute

Institutional Business as a Percentage of Advisors' Total AUM	IWI Credentials			All Advisors
	CIMA-Certified Practices	CPWA-Certified Practices	All IWI-Certified Practices	
None	58%	58%	58%	72%
1% to <25%	28%	33%	29%	24%
25% to <50%	7%	5%	6%	3%
≥50%	7%	4%	7%	2%
Advisors serving at least one institutional client	42%	42%	42%	28%

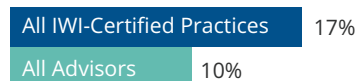
Larger advisor teams with internal successors and the scale, human capital, and resources to engage in inorganic growth will also be best positioned to capitalize on the impending wave of advisor retirements. The industry is largely composed of tenured advisors with mature practices. However, as this aging advisorforce inches closer to retirement, the need for adequate succession planning and next-generation advisor talent heightens. IWI-certified practices are more likely than their peers to include younger advisors who can be groomed as successors and prepared to take over the practice as senior advisors retire. Only 28% of advisors in IWI-certified practices are age 55 or older, compared to 44% of advisors across all practices.

Advisor Age, 2019

Sources: Cerulli Associates, Investments & Wealth Institute

Analyst Note: All advisors data is based on market sizing as of year-end 2018, whereas data for IWI-certified advisors is based on survey responses collected in 2019.

<35 years old



35 to 44 years old



45 to 54 years old



On average, IWI-certified practices are composed of 5.7 advisors and staff.

Nearly half (49%) of IWI-certified practices have a total staff headcount of 5 or more, compared to only 35% of all advisors.

As of year-end 2018, the average age of an advisor in the United States is 51. Advisors in IWI-certified practices are, on average, 48 years old and moderately younger than the industry average.

Nearly two-thirds (66%) of advisors in CPWA-certified practices are either Millennials or Generation X.

Close to three-quarters (71%) of IWI-certified practices are either open to acquiring another practice, or actively searching for acquisition opportunities.

Trend 3: Curating a Client Experience

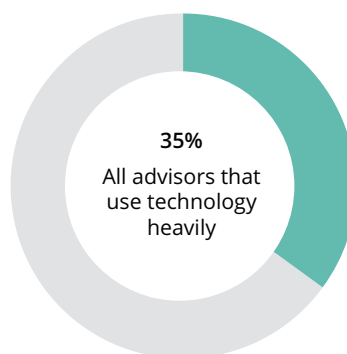
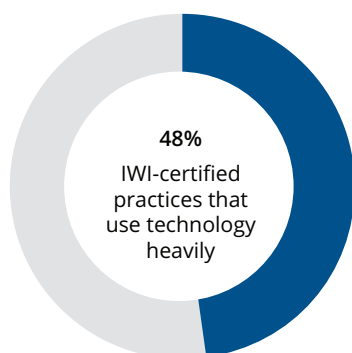
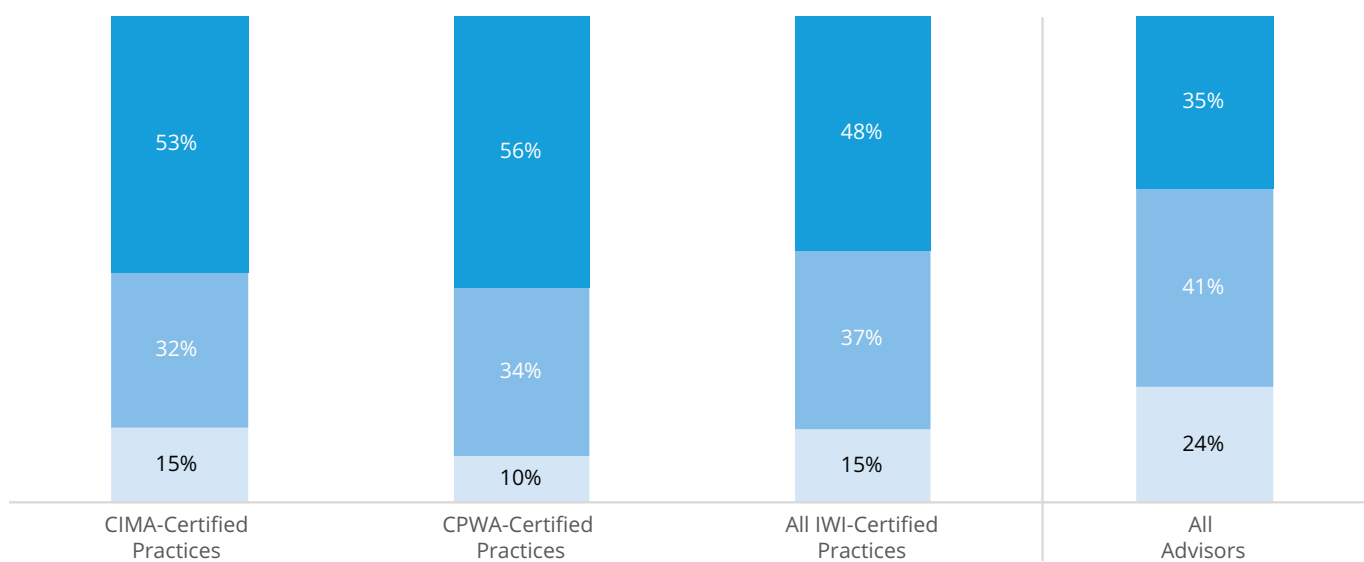
Investors' expectations are set by their daily experiences with digital-first, client-centric providers across all industries. To remain competitive, advisors must curate a digitally enhanced, multigenerational client experience that meets—and exceeds—these expectations. This bridges the gap to eventual heirs and younger investors who will be recipients of wealth transferred by older Baby Boomers. These client segments are either already in, or entering, their prime earning years, making them a crucial accumulation opportunity.

Advisors are experiencing asset outflows due to client deaths and retirement income distributions as their clients enter the decumulation phase. On average, 51% of advisors' clients are age 60 or older. It is imperative for advisors to infuse their practices with assets from younger clients to offset erosion of their assets under management. Likewise, practices that do not sufficiently engage the next generation of investors (*e.g.*, inheritors, beneficiaries) are at risk of losing those assets during the wealth transfer. **Practices that can effectively execute multigenerational planning strategies are less likely to experience asset attrition upon client death and ensure that they are prepared as wealth changes hands between generations.** Practices with CIMA and CPWA certificants are more likely than all advisors to offer intergenerational planning.

Level of Technology Use, 2019

Sources: Cerulli Associates, Investments & Wealth Institute

Heavy user Medium user Light user



Top practices have demonstrated that technology can be a powerful tool to streamline workflows and enhance productivity. Heavy technology users leverage the widest range of technology, digitizing nearly all aspects of their operations through the use of document management and e-signature, in addition to marketing and prospecting solutions. **This emphasis on technology provides increased efficiencies and improved investor experiences. As a result, heavy technology users are 31% more productive than medium users and 125% more than light users.** Compared to only 35% of all advisors, nearly half (48%) of IWI-certified practices are heavy technology users, based on Cerulli's proprietary scoring system.¹

A focus on client experience can translate into higher productivity, a more affluent client base, and improved asset retention. Advisors need to consider how they curate an exceptional client experience to drive growth. **In a rapidly shifting landscape, advisors' ability to marry skill with efficient and effective execution for the benefit of the client is increasingly essential for success, as evidenced by IWI-certified practices.**

¹ Practices are grouped with a proprietary scoring system that calculates a composite score for each practice based on their reported use of technology across various categories (e.g., CRM, financial planning, rebalancing, account aggregation), adjusting for practices that continually upgrade their technology. This allows Cerulli to determine the impact of technology on advisor productivity and processes, identify key practice attributes of high vs. low adopters, and uncover barriers to increasing adoption.

Although only 23% of all practices have an IWI member, they make up 49% of mega teams and 52% of HNW practices that target clients with \$5 million or more in investable assets.

On average, IWI-certified practices contact an ideal client 33% more frequently than all advisors.

IWI-certified practices are more likely to leverage technology to engage with their clients across multiple touchpoints (e.g., digitally based review meetings, social media).

Driving Growth and Profitability with IWI Certifications

IWI-certified practices' ability to leverage teaming and technology positions them to deliver impactful solutions and an elevated client experience to investors, driving growth and profitability.

High-Touch Client Service: IWI-certified practices adopt a high-touch, personalized client service model. They report higher levels of contact with ideal clients, annually, than their peers. CIMA-certified practices average 32% more total annual contacts than all advisors, and CPWA-certified practices average 71% more. In an on-demand economy that prizes accessibility, this heightened visibility and transparency supports retention—especially as volatility returns to the markets.

Robust Capabilities: By pairing dedicated staff in specialized roles and deeper use of technology tools, IWI-certified practices capture growth advantages. Their enhanced capabilities attract a more affluent, diverse client base, and allow them to address these clients' more complex financial needs.

Inorganic Growth: IWI-certified practices unlock additional growth by successfully executing inorganic growth strategies. They have the infrastructure, size, and access to capital needed to effectively absorb incoming advisors and their clients. Therefore, IWI-certified practices are more likely to either be open to or actively seeking acquisition opportunities than their peers (71% vs. 60%).

As a result of these factors, practices with a CIMA or CPWA certificant are 70% more productive than the industry average, with senior advisors managing an average of \$165 million, compared to \$97 million across all advisors. Additionally, clients working with IWI-certified practices have, on average, more than double the invested assets than clients across all practices. The average client at an IWI-certified practice has \$2.81 million, while the average client size for all practices is \$1.36 million. CPWA-certified practices, in particular, have the largest average clients (\$3.67 million). IWI-certified practices are well aligned with industry trends, yielding measurable productivity benefits.

Advisors in CIMA-certified practices have a longer average firm tenure than their peers (12.1 years vs. 10.9 years).

On average, CPWA-certified practices serve 36 clients per total headcount, compared to 91 for all advisor practices.

Methodology

The Investments & Wealth Institute partnered with Cerulli Associates to measure the value of the Certified Investment Management Analyst® (CIMA®) and the Certified Private Wealth Advisor® (CPWA®) certifications. Data in this report was gathered as part of Cerulli's annual process of surveying financial advisors and collected on a continuous basis throughout 2019. Cerulli conducted approximately 2,000 total advisor surveys in 2019. A number of these surveys were conducted in partnerships with industry organizations, including the Investments & Wealth Institute.

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Cerulli for Research and Consulting

For nearly 30 years, Cerulli has provided global asset and wealth management firms with unmatched, actionable insights.

Headquartered in Boston with fully staffed offices in London and Singapore, Cerulli Associates is a global research and consulting firm that provides financial institutions with guidance in strategic positioning and new business development. Our analysts blend industry knowledge, original research, and data analysis to bring perspective to current market conditions and forecasts for future developments.

Cerulli's research product line includes the Cerulli Report series, the Cerulli Edge series, and Cerulli Lodestar.

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