Meet the Disruptors

Online and Call Center Advice
Marketplace Observations and Implications

MMI PRISM Executive Roundtable Agenda

October 14, 2013
GDC Research
The Imbalance in Advice Delivery

- Shifting from an investment to an advice oriented marketplace
- Fee-based pricing is a catalyst for advice
- RI is the accelerant
- The economics of supply and demand are not aligned
- An increasing number of consumers are being underserved
- The demand for advice is rising
- But supply is shrinking as skilled advisors retire and are not replaced

Rise of the Online and Call Center Advice Platforms to Bolster Supply
Who are the Players?

**Traditional Players**
- Legacy DIY base
- Strong brand recognition
- Large base of existing mass market and mass-affluent clients
- Leverage 401k/qualified participant base

**Newer Entrants**
- Limited or local recognition
- Leverage platform and capabilities develop in the advisor and B/D marketplace
- Focus on planning and advice
- Advisory services are core
So What’s Driving Interest

- Growing demand for advice
- Advisors moving up market
- Shrinking pool of skilled advisors
- Growing advice gap
- Leveraging advice delivery technology, process, and programs
- Advisory services and centrally managed programs
- Influence of Social Networking

Expanding Advice Gap in the Traditional Advisor Market
What are the Challenges?

- Who are the targeting?
- Who are they getting?

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<tr>
<th>Wealth Segment</th>
<th>Investable Assets</th>
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<tbody>
<tr>
<td>Ultra Affluent</td>
<td>$10 million and above</td>
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<tr>
<td>Upper Affluent</td>
<td>$5 million - $10 million</td>
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<td>Affluent</td>
<td>$1 million to $5 million</td>
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<tr>
<td>Mass Affluent – Upper</td>
<td>$500,000 – $1 million</td>
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<td>Mass Affluent - Middle</td>
<td>$250,000 – $500,000</td>
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<tr>
<td>Mass Affluent – Lower</td>
<td>$100,000 to $250,000</td>
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<tr>
<td>Mass Market – Upper</td>
<td>$50,000 to $100,000</td>
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<td>Mass Marker – Lower</td>
<td>Less than $50,000</td>
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What Wealth Tier Does The Traditional Advisor Currently Serve?

Average Client Account Size for Advisors Across all Channels

- $1 million or more: 15%
- $750,000 to less than $1 million: 14%
- $500,000 to less than $750,000: 27%
- $250,000 to less than $500,000: 29%
- $100,000 to less than $250,000: 13%
- Less than $100,000: 2%

Source: Retirement Income Insights 2013 – Attracting and Engaging Retirement Income Clients
What the Implications and Outcomes?

- Downward Pressure on Fees
- Green Housing New Clients
- New Model of Advice and Advisors
- More Institutional Investment Product Environment
- Green Housing New Advisors
- Cannibalize Traditional Advisor Market Share
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