

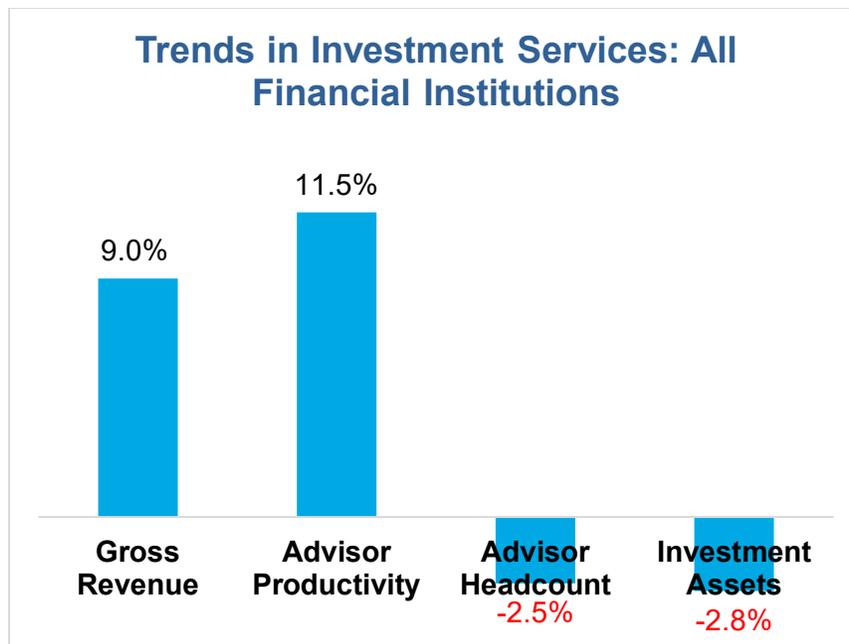
For Immediate Release:

2018 Investment Services Revenue Up 9% in Financial Institutions

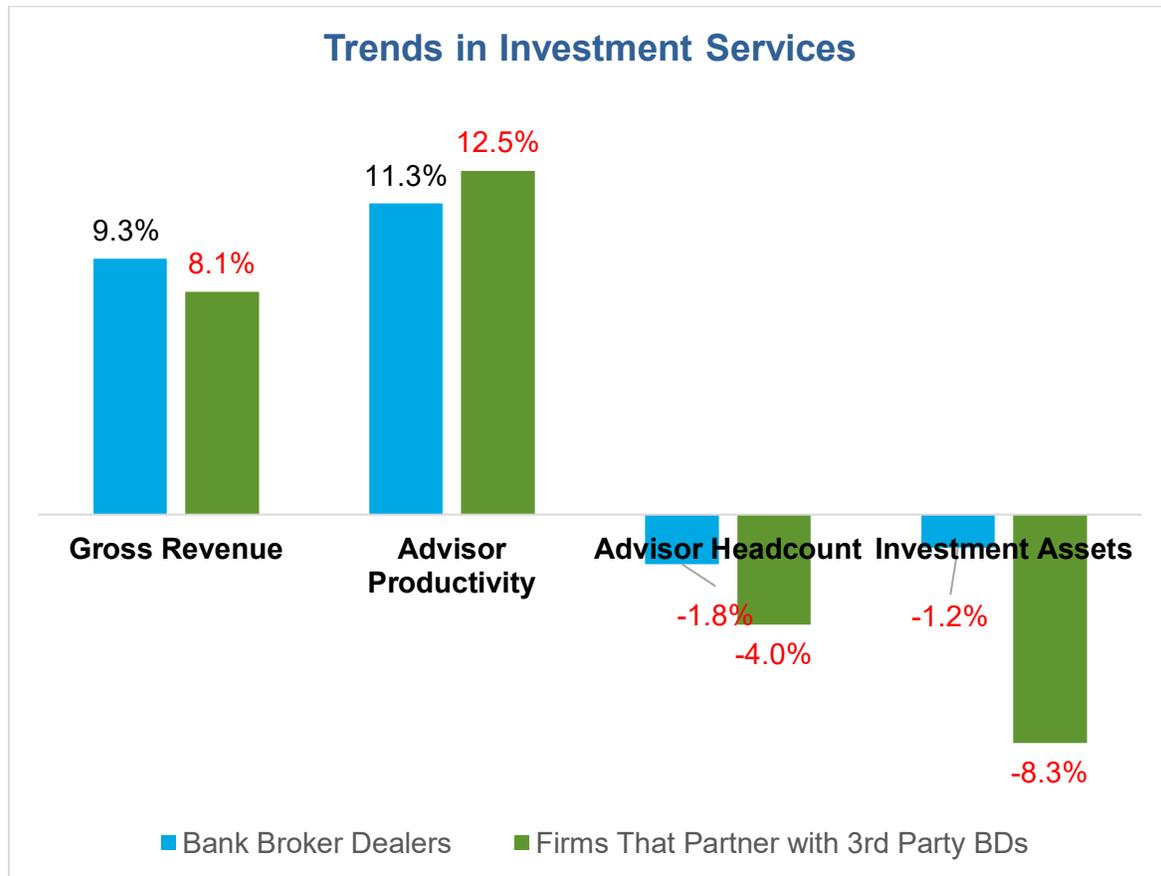
A Year to Please CFOs, but...

CHAPEL HILL, NC MARCH 6, 2019: According to the Kehrer Bielan *Annual Industry Checkup*, sponsored by CUSO Financial Services and Sorrento Pacific Financial, 2018 was a year defined by its ending in banks and credit unions providing investment services. Gross revenue was up 9% and revenue per advisor climbed almost 12%. But investment assets under administration were actually down almost 3% at year end. What happened?

The growth in revenue was driven by an increase in the value of assets under administration, some of which earn quarterly fees. As the stock market boiled over during the year, the value of those assets grew, throwing off higher and higher fees. Then during the fourth quarter there was a market correction, wiping out all the market gains for the year. But investment services firms had already earned the fees on the higher valuations. Given the lag in the payment of asset fees, banks and credit unions didn't experience the drop-in fees until the first quarter of this year.



Banks that own their own broker dealer benefited more from the hot market, because they are further along the transition from selling commission-based investments to earning fees on the assets on investments they offer than banks and credit unions that partner with third party broker dealers.



But the typical advisor in the firms affiliated with third party BDs experienced a 12.5% increase in production, better than their peers in bank owned BDs. That is because, while both kinds of firms lost headcount, the decline was worse in institutions that partner with third party BDs. Average productivity tends to increase as a firm loses advisors and the orphaned clients are redistributed to the firm’s remaining advisors.

“The 2018/2019 report takes an extremely accurate pulse of the industry, as it does every year, and we are happy to have sponsored this valuable work” said Connie Gregory, SVP of Business Development for CUSO Financial Services, LP and Sorrento Pacific Financial. “At CFS, we often refer to ‘delivering true value’ to our affiliated programs. It is gratifying to see that value manifest itself particularly in light of the industry’s formidable headwinds in 2018 -- a large percentage of our affiliated programs saw record, and in many instances, material, growth well beyond these averages,” Gregory noted.

While the surge in revenue helped bank and credit union investment services operations increase their contribution to their host institutions, the *Checkup* noted some clouds in the

picture. The number of advisors—the main engine of growth—was down in financial institutions. And assets under administration—the foundation for growth—were down further than the market decline, suggesting that banks and credit unions actually lost investment assets during the year. And after years of seeing an increase in the number of bank branches where customers could receive financial advice, last year the percentage of banks offering investment services actually declined.

But there was also more good news in this year's *Checkup*. The share of credit unions providing financial advice has grown consistently and appears to be accelerating.

The *Annual Industry Checkup* has been conducted by Kehrer Bielan Research and Consulting every year since 2012. The firm draws on regulatory filings and its own proprietary surveys of banks, credit unions, and third party broker dealers to monitor the health of the financial institution insurance and securities industry. This year's study was based on data from 2,329 financial institutions and their 11,089 advisors, and was sponsored by CUSO Financial Services and Sorrento Pacific Financial.

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Download your copy of the *Annual Industry Checkup* here <https://cusonet.com/kehrer-bielan-annual-industry-checkup-2018-2019/>, or contact::

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About Kehrer Bielan Research & Consulting. Kehrer Bielan Research & Consulting provides the financial advice industry with insights based on a melding of research and experience in managing the delivery of investment, insurance, and wealth management services. We bring a unique, unbiased resource and perspective through our original research, actionable advice, and keen understanding of where the industry has been and where it needs to go. Meet the Kehrer Bielan team, check out our research library and study groups, and scan our client list and consulting engagements at <http://kehrerbielan.com>.

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