

Raymond James Financial - How Should Advisor Growth Be Governed?

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Decision scope: Hypothetical direction for advisor-channel growth and its service, onboarding and supervision gates

Case convention: This is an author-created strategy decision exercise. No private deliberation, fixed budget or company mandate is represented.

The decision

Raymond James Financial entered calendar 2024 with record client assets and what management described as robust advisor recruiting. For the quarter ended December 31, 2023, domestic Private Client Group (PCG) net new assets were \$21.6 billion, equal to 7.8% annualized growth from the period's beginning assets. The company offered several advisor affiliation and service models. Which channels should receive the firm's strategic emphasis, and what should be required as they grow? [P2]

Assume a hypothetical PCG leadership team is reviewing this question as of March 1, 2024. The team must recommend how to guide future channel growth-not allocate a disclosed pool of money or execute a specific recruiting campaign. It can emphasize established-advisor recruiting, internal advisor development and succession, RIA and Custody Services (RCS), or continue a multi-affiliation approach with stronger channel-specific onboarding and monitoring. The public record does not identify a best channel or a binding resource constraint.

Several ways to serve advisors

Raymond James provides financial planning, investment advisory and securities transaction services through financial advisors. At September 30, 2023, PCG had 8,712 affiliated employee and independent-contractor advisors and \$1.20 trillion in assets under administration (AUA). Fee-based accounts represented \$683.2 billion. [P1, Item 1, printed p. 3]

The affiliation models are different. Employee advisors work in firm-supported branches and primarily serve retail clients. Independent contractors bear their direct costs and receive a higher payout percentage on generated revenue; they can choose how much support to use. Separately, RJF's RCS division provides services to third-party RIAs and broker-dealers. RCS-affiliated advisors are not included in RJF's advisor count, though their assets are included in reported PCG AUA. [P1, Item 1, printed pp. 3-4]

At year-end 2023, the company counted 3,693 employee advisors and 5,019 independent contractors, compared with 3,638 and 5,043 a year earlier. Management said recruits and trainees entering production exceeded advisors leaving. The 10-K also noted planned retirements where assets are generally retained through succession plans. The count does not

include advisors with RCS firms. [P1, Item 7, printed p. 49]

Recruiting and development both require firm support. Raymond James described programs for new advisors, practice education, coaching, conferences and management resources. It reported domestic regrettable advisor attrition of approximately 1% in FY2023. [P1, Item 1, printed pp. 10-11]

Recent growth and its sources

The January 24, 2024 results release reported domestic PCG net new assets of \$21.6 billion for Q1 FY2024, up from \$14.2 billion in the preceding quarter. Q1 PCG AUA was \$1.31 trillion, with \$746.6 billion in fee-based accounts. The CEO attributed growth to client satisfaction, advisor retention and recruiting. Asset-based fees also reflected growth in fee-based assets. [P2, printed pp. 1-2, 6]

RJF's February report on January 2024 operating data showed \$1.318 trillion in PCG AUA and \$751.2 billion in fee-based accounts. The CEO said the record in total client assets reflected recruiting and retention as well as equity-market appreciation. The company cautioned that the limited monthly data should not be assumed to correlate consistently with earnings. [P4]

Measure	Latest reported figure	Scope and source
PCG AUA, Dec. 31, 2023	\$1.3105tn	PCG; includes RCS-associated assets [P2, p. 6]
PCG fee-based assets, Dec. 31, 2023	\$746.6bn	PCG [P2, p. 6]
Domestic PCG net new assets, Q1 FY2024	\$21.6bn; 7.8% annualized	Company-defined quarterly flow measure [P2, pp. 1-2, 20]
PCG AUA, Jan. 31, 2024	\$1.3177tn	Monthly data; company cautions against assuming consistent earnings correlation [P4]
Advisor-related loans, Sept. 30, 2023	\$1.168bn gross; \$1.136bn net	Recruiting and retention loans [P1, Note 9, p. 131]

Assets under administration can change through client flows and market appreciation. Fee-based assets also change with markets, inflows, outflows and shifts between account types. Advisor count, AUA and net new assets therefore describe different things. RJF's disclosures do not provide a channel-by-channel reconciliation of advisor recruiting, client transfers, market movement and fee-account migration. [P1; P2; P4]

Recruiting loans add another consideration. RJF says they are generally repaid over five to ten years and are contingent on continued advisor affiliation. The company identifies affiliation status as the primary credit-risk factor. These terms show how recruiting support and retention may intersect; they do not establish an expected loss rate for future advisors. [P1, Note 2, printed p. 98; Note 9, p. 131]

Growth across jurisdictions

Not every market had the same onboarding conditions. In August 2023, Raymond James Investment Services Limited, a U.K. subsidiary, agreed to a Financial Conduct Authority requirement that new branches or financial advisors could not be onboarded without FCA consent. RJF said it did not expect the requirement to have a material effect on consolidated results. This restriction applied to that U.K. entity; it does not describe U.S. PCG recruiting. [P1, Item 1, Regulation, printed p. 14; Item 1A, p. 32]

The choice

The hypothetical leadership team must set a direction for the next stage of advisor-channel growth. It may emphasize established-advisor recruiting, internal development and succession, expansion of RCS support to third-party firms, or a multi-affiliation approach with channel-specific growth and supervision criteria. The public evidence does not establish that one option dominates.

Decision prompt: Recommend a direction and explain what evidence should govern it. Identify appropriate growth and service-quality indicators for each channel, the onboarding or supervision checks that matter, and what results would prompt the team to reconsider. Distinguish net client flows from market movement and PCG from RCS scope. State the strongest argument against your position. Do not invent a fixed budget, return, recruiting target or management mandate.

Source key

- **P1:** Raymond James Financial FY2023 Form 10-K, filed November 21, 2023; Item 1, printed pp. 3-4 and 10-11; Item 1, Regulation, p. 14; Item 1A, p. 32; Item 7, pp. 49-50; Note 2, p. 98; Note 9, p. 131.
- **P2:** Raymond James Financial Q1 FY2024 results release, January 24, 2024; printed pp. 1-2, 6, 20.
- **P4:** Raymond James Financial January 2024 Operating Data, February 21, 2024; opening statement and table, HTML lines 10-31.