

The State of DCIO Distribution: 2024

Key Benchmarks, Developing Trends, Winners and Outlook

Overview

The latest edition of Sway's annual in-depth study of DCIO distribution finds asset managers harnessing relationship pricing and co-manufacturing to expand flows from DC plan participants. Based on surveys and interviews of DCIO sales leaders at 20 asset managers with nearly \$3 trillion of DCIO AUM, more than 200 DC plan-focused advisors, and 30 DCIO field wholesalers, this research is designed to provide DCIO sales leaders key business benchmarks—assets, gross and net sales, headcounts, spending, etc.—and insights to enhance the development of investment products and inform distribution strategy.

Keys Areas Covered in the 2023 Report

- CIT sales and demand
- Relationship pricing and fee discounting
- Co-manufacturing
- The Impact of DCIO on firm-wide and intermediary channel sales
- Sales force territory management
- Sales force satisfaction with compensation level and formula
- Sales force satisfaction with internal coordination/communication
- Sales force satisfaction with product, marketing, leadership
- Where plan advisors most fear the threat of litigation
- Where plan advisors feel they add the most value

Key Benchmarks/Analysis

- DCIO assets and sales growth
- DCIO gross sales across core asset classes
- Sales force headcounts
- Sales force compensation averages and formulas
- Sales and marketing budgets and allocations
- Plan Advisor best-in-class DCIO sales support and value-add
- Plan Advisor preferred managers across broad objectives

Study Chapters:

1. Market-Sizing: Sales and Asset Trends
2. Investments: Vehicles, CITs and ESG
3. Investments: Relationship Pricing and Co-Manufacturing
4. Investments: DCIO Assets and Sales Across Categories, and Passive vs. Active
5. Investments: QDIA, Target-Date, and Advisor Managed Accounts
6. Distribution: Sales Staff and Territory Management
7. Distribution: DCIO External Sales Compensation and Satisfaction
8. Marketing: Budgets, Allocations, and Value-add
9. Leaderboard: Best-in-Class and Preferred Managers by Category
10. Outlook: Manager Priorities for DCIO Growth

Report Contents:

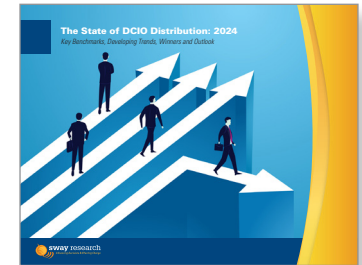
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Sample pages.

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Methodology

The core of the findings in this report are the result of surveys and interviews of DCIO sales leaders and retirement plan-focused intermediaries. In addition, findings from previous Sway Research studies, and publicly available data, such as that from industry trade groups, are also included in the analysis. Following are details on the DCIO managers, intermediaries, and consultancies that form the core of this research.

DCIO Managers - Leaders of DCIO sales efforts at 20 asset managers completed an in-depth survey on the following topics:

- DCIO assets and sales growth
- DCIO gross sales across vehicles and asset classes
- Staff headcounts
- Resource allocations and marketing budgets
- CIT sales and demand across market segments
- Relationship pricing
- Reasons for inadequate asset gathering post fee-discounting
- Co-manufacturing arrangements
- The Impact of DCIO on firm-wide and intermediary channel sales
- Resource priorities heading into 2024

The respondent firms manage nearly \$3 trillion of DCIO assets. To enhance the analysis, managers are segmented into the following tiers based on DCIO assets under management, sales and marketing budgets, and DCIO staff headcounts so that the groups are similar not only in terms of assets, but also in terms of the level of resources each commits to DCIO sales and marketing:

Segment	Avg. DCIO AUM June 30, 2023	No. of Firms in Segment
Tier 1A	\$555B	4
Tier 1B	\$56B	5
Tier 2	\$24B	5
Tier 3	\$11B	6
Overall	\$140B	20
T-D	\$144B	8
No/Low T-D	\$30B	12

The survey was in the field between July 25 and September 12, 2023.

Target-Date (T-D) firms generate at least 15% of gross sales from proprietary T-D series. Most Non-T-D firms do not have prop. T-Ds. However, two firms in this segment do have T-Ds this year, but these firms generate 5% or less of gross DCIO sales from them.

The 207 plan advisors that completed this year's online survey manage \$144B of DC assets. The intermediaries must have at least \$10M of DC AUM and 10 plans on the books to take our survey. We call the more elite group Retirement/Benefits Consultants. These employer-benefits practices average \$1.2B of DC AUM/AUA and 109 plans. Our Retirement Advisor segment does not include “blind squirrels,” but features brokerage and RIA practices that have developed large DC businesses that account for an average of 44% of AUM and 41% of revenue.

DC Plans, Assets, Revenue by Intermediary Type

Average by Segment

Segment	No. of DC Plans Serviced	DC AUM/ AUA (Mils)	Avg. Plan Size in Mils	% of Annual Revenue from DC	% of AUM/AUA in DC Plans
Retirement/Benefits Consultants	109	\$1,210	\$11	84%	85%
Retirement Advisors	39	\$183	\$5	41%	44%
Overall	75	\$697	\$9	63%	65%

The survey was in the field between June 26 and July 31, 2023.

Sampling of Retirement/Benefits Consultants surveyed in 2023: 401(k) & 403(b) Fiduciary Advisors, Inc., Beltz Ianni & Associates, CAPTRUST Cerity Partners, CFS Investment Advisory Services, EagleStone Retirement Services, Inc., Gordon Asset Management, LLC, Hilb Group Retirement Services, HUB International, Nova 401(k) Associates, Oswald Financial, Pensionmark, Precept Advisory Group, QP Consulting, SageView Advisory, Shepherd Financial, Sikich Financial, Strategic Retirement Partners, The Prizant Group

Sampling of Retirement Advisors surveyed in 2023: Baird, Carlton Investment Services Group, Compass Retirement Plan Services LLC, Eldridge Investment Advisors, Eminent Wealth Strategies, Granite Ridge Wealth Advisors, Levine Group, LPL Financial, Merrill Lynch, Morgan Stanley, Raymond James, Schulte Financial Group, Stifel Nicolaus, Summit Group Retirement Planners, UBS, Wells Fargo Advisors

A survey of DCIO External salespeople was added to the mix this year. The nine questions were administered via an online survey tool and sent to more than 200 external DCIO salespeople. **We closed the survey after receiving responses from 30 salespersons at 20 different asset management firms** (see the table below for details by manager segment). The questions focused primarily on their satisfaction with an array of firm attributes, including compensation, which we drilled down on to better understand how things such as travel, meeting goals, compensation level and formula, impact satisfaction. Please let us know if you'd like us to make this a regular part of this annual effort.

Key Stats: DCIO External Sales Survey

Totals and Averages by DCIO Segment

Segment	External Sales-people Surveyed	Years Selling Investment Products	Years at Current Firm	Years in Current Role
Tier 1A	9	17	9	7
Tier 1B	8	22	15	10
Tier 2	7	15	8	7
Tier 3	6	20	9	7
Overall	30	18	10	8

The External Sales Survey was in the field between July 19 and August 4, 2023.