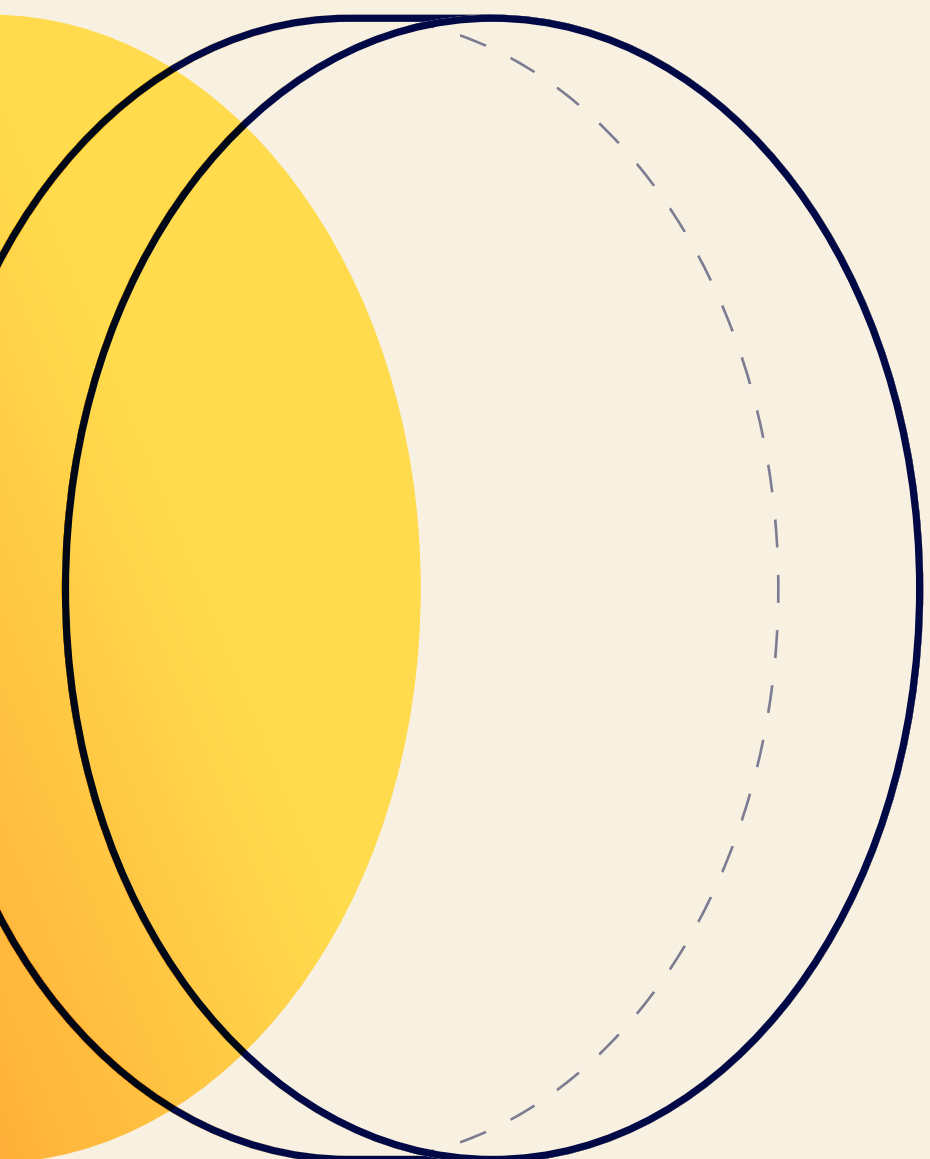


Serve today's builders, win tomorrow's inheritors





\$124 Trillion.

That's Cerulli's projection for the intergenerational wealth that will change hands through 2048.¹

The stat has appeared in every major custodian study, conference keynote, and practice management guide for three years running. It has become an organizing principle for how most RIAs think about growth

And that's exactly the problem.

When considered against the backdrop of another Cerulli finding only 27% of future beneficiaries plan to keep their benefactor's advisor.²—the industry's response starts to look increasingly flawed.

In response, you're seeing a lot of advisors scramble to update their website or build relationships with their HNW clients' kids. Those efforts are not entirely in vain, but “nurture the heirs” is a positioning statement with a one in five success rate. Capgemini puts it more sharply: 81% of next-gen HNWI's plan to switch their parents' firm within one to two years of inheriting, driven by poor digital offerings and service fit.³

Heir outreach helps, but it does not close a gap rooted in life-stage and service design.

While it's hard to compete with a number like \$124T, a larger, more interesting narrative is taking shape.

Planning complexity used to track assets.

For most of the advisory industry's history, the amount of AUM a client had matched how complex it was to serve that client. The higher the AUM, the higher the complexity. It's why pricing on assets worked. Today, that relationship has broken. A thirty-something software engineer with RSUs has an asset base of \$350k, but carries the planning complexity of a \$5M client. The industry's front door, built for the old relationship, turns her away.

These clients exist in bulk, and they are the hinge of the next decade. Clients are building wealth through new channels, many of them are underserved, buyer preferences and expectations are shifting, and AI is reshaping productivity assumptions.

Together, these forces are changing both who needs advice and what it costs to deliver it.

The rest of this piece lays out the three segments worth building for, the service architecture that makes them profitable now, and why the human advisor's role sharpens as AI matures.

At Betterment, we've built an advisor platform for exactly the scenario this piece describes. We have a view on the problem and an interest in the answer. The research cited here is independent, but the vantage point is not neutral, and we'd rather say so up front.

Some things never change

Historically, paradigm shifts in wealth management have been met with anxiety, resistance and loudly voiced concerns about fee compression.

Today is no different. Fear mongering headlines ask, "Will AI replace financial advisors?" and those fears are further compounded by M&A activity, like OpenAI's recent acquisition of the personal finance apps Roi and Hiro.

Our view is that we are simply early in the next chapter of "earning the fee," or, said differently:

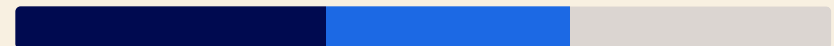
We don't expect fee compression, but we do expect further value expansion.

Growth-oriented advisors are incredibly resilient to fee pressure. Many have lived (and evolved) through these chapters before. Every wave of commoditization that was primed to compress fees into oblivion instead resulted in firms expanding their offerings.

Contrary to what the headlines might have you believe, this challenging business reality is an objectively good thing for current clients and future ones. The demand side bears this out: The share of affluent investors willing to pay for advice has risen from 38% to 68% since 2010, while the self-directed segment has fallen from 41% to 24%.⁴ Every cycle of commoditization has expanded the market for advice rather than shrinking it.

38% → 68%

Affluent investors willing to pay for advice, since 2010⁴



Value expansion in the wealth management space is threefold



Increase access to wealth building products and services

Tools like direct indexing, tax-loss harvesting, scalable model portfolios, and automated rebalancing are now available at previously unimaginable costs. A digital entry-level tier with minimum fee turns a \$250K accumulator from a subsidized client into a profitable relationship.



Provide better service to existing clients

Forward-looking firms are reinvesting technology dividends into expanded service scope: "Family-office-lite" coordination covering tax planning, estate strategy, healthcare navigation, and lifestyle logistics, delivered to clients who may not have qualified under other cost structures. The time savings from automation and AI-powered workflows are unlocking additional services while fees remain constant.



Deliver new services to meet new demand

Clients whose planning needs rival the complexity of HNW (equity compensation, high-income families balancing multiple timelines, variable-income planning and side hustle business ownership) but who don't have \$1M+ in AUM can now be served profitably because technology gives back on two fronts: Operational latency can be reduced to nearly zero, and the tools to manage complexity are readily available.

All three moves run on the same operating leverage: technology changes what a firm can profitably deliver. As AI and the wealth transfer collide, firms must push up, push down, and push outward, or lose.

Inertia is expensive

63% of advisors use AI tools, up 30 percentage points since 2023, with the leading use case among younger advisors being administrative task automation.⁵ Technology is now the number one factor in custodian selection at 55%, ahead of credibility and cost.⁶

The environment is changing. Most firms are not moving with it.

The Ensemble Practice calls it "prosperous stagnation." In 2024, the average advisory firm posted a record 39.2% operating profit margin, up from 36.4% the year before. But organic growth, stripped of market appreciation and M&A, averaged 3.1% against a stated target of 10%.⁸ The most profitable firms are growing the slowest.⁷

The math underneath is worse than the headline suggests.

Industry-wide, nearly two-thirds of firms have incoming client growth below 3%.⁹ In 2024, firms added just 4.1% in new assets from new client relationships while losing 2.0% of AUM to departing clients—a net new asset growth of only 2.1%.¹⁰ Most of what shows up as AUM growth on the P&L is the market carrying the book, not the firm earning new business. A firm whose clients are predominantly drawing down is shrinking in relationship count even when the account balances go up.

Despite tepid organic growth, 78% of firms reported hiring in 2024.¹¹ The money is going to serve existing clients, not acquire new ones. That is a capacity problem, not a demand problem, and headcount alone does not solve it.

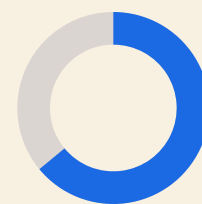
When organic growth stalls, the alternative is acquisition, and the price is steep. There were 276 RIA transactions in 2025, up from 233 the year before, with revenue multiples running 2–4x.¹² Private equity-backed acquirers now account for 72% of deals, and they are setting the floor on valuation.¹³ Building an entry tier that serves emerging wealth profitably costs a fraction of buying one at 3x revenue. And what you build compounds: Organic capability creates operating leverage and client loyalty over time, while acquired books often import someone else's complexity.

The pressure is sharpest for growth-stage firms. The \$75M to \$300M RIA that has outgrown the scrappy referral-driven early years but doesn't yet have the systems in place to scale without negatively impacting their current clients' experience. Too big for pure hustle, too small to compete on brand, institutional referrals, or marketing budget.

So, what should these firms do?

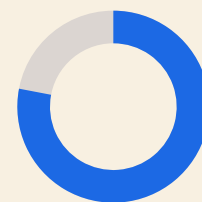
We think the most durable play for fast-growing firms is to look beyond retirees and pre-retirees and create segments that serve today's wealth builders. By taking this approach, we believe they will, as a natural result, win *tomorrow's inheritors*.

This is a pipeline argument. A firm that captures a 34-year-old engineer with \$350K in RSUs today owns that relationship at \$3M in a decade, and becomes the natural destination for her parents' assets when the transfer eventually happens.



64%

of firms have incoming client growth below 3%⁹



78%

of firms reported hiring in 2024¹¹



Who is building wealth, and how?

Three patterns of wealth formation stand out. Each creates distinct planning needs, each breaks a different part of the traditional advisory model, and each has a service architecture that works when the economics are rebuilt correctly.

Equity-compensated professionals carry one of the most acute mismatches in the market: HNW-caliber complexity without the assets to match. It's also a large and growing segment; nearly 11 million U.S. employees participate in equity compensation plans, including RSUs, stock options, and related instruments.¹⁴

Consider a senior software engineer at a major tech company: \$500K total compensation, \$350K investable, most of it concentrated in a single stock. She needs concentration risk management, diversification pacing across vesting tranches, tax-lot optimization, and vesting-schedule planning. Planning complexity rivals a \$5M client. Revenue at 1% AUM: \$3,500. And the complexity only branches from there: ISO holders at pre-IPO firms face AMT optimization, 83(b) election timing within a 30-day window, and liquidity event strategy on top of everything RSU holders need.

Under a traditional AUM model, the planning work far exceeds what it generates. So the advisor absorbs the loss, simplifies to something useless, or turns them away. The market is already adapting: 21% of advisors now generate revenue from financial plan fees, the most common nontraditional fee arrangement.¹⁵ For equity-comp clients, a planning fee alongside a smaller AUM component is the structure that makes the economics work.

And when they're turned away, the consequences compound: Concentrated positions held through 40% drawdowns because nobody built a diversification schedule; poorly timed option exercises that trigger AMT bills larger than the gain; RSU vesting events are treated as found money and spent, rather than integrated into a multi-year wealth-building plan.

High-income accumulators are a high-density referral source for any practice, and the industry's front door is turning them away. They face dual-income complexity, student debt alongside retirement savings, 529 funding, estate decisions, insurance gaps and more. Every job change is also a 401(k) rollover decision—a moment when assets stuck in a former employer's plan become available for advice and consolidation. For dual-income households, that decision repeats through the accumulation years.

Their preferences as buyers are different than previous generations; 76% of Gen Z and 65% of Millennials seek financial advice online rather than through financial institutions.¹⁶

They are looking for a human advisor that fits their model of engagement.

But what they tend to find are unrelatable sailboat photos, lofty language like "preserving multi-generational wealth," and discouraging minimums of \$500K+. A household earning \$320K is handling decisions that require professional guidance, and the industry is telling them they're not the right client. Which all amounts to a missed opportunity for advisors.

So they do it themselves, and "doing it themselves" looks competent enough to be dangerous: Active decisions that miss the interactions between decisions. One couple has the right asset allocation in each account but the wrong asset location across accounts, holding bonds in taxable and equities in tax-deferred when flipping them would add up to 0.30 percentage points annually.¹⁷ Another funds 529s aggressively while carrying high-interest student debt, optimizing for a future they're undermining in the present.

At 1% on \$400K, annual revenue is \$4,000. The economics don't close without simplifying to something a robo-advisor already does. And at that price point, the industry's answer has been to turn them away entirely.

The economics change when cost-to-serve drops. A digital entry tier with automated portfolio management and a structured annual review makes the \$400K household profitable without simplifying the advice.

Solopreneurs are the segment the traditional model is least equipped to serve. There are 72.9 million independent workers in the U.S., with 5.6 million earning \$100K or more, up from 4.7 million in 2024.¹⁸ Their wealth is tied up in their business: Entity value, retained earnings, equipment, receivables. Investable assets are thin relative to income, and high income variance year over year is standard. They need help with quarterly estimated taxes, entity selection, Solo 401(k) strategy, business and personal separation—it's planning complexity that rivals HNW. But the intake form asks about annual salary, which doesn't have a clean answer.

The cost of going without an advisor is death by a thousand cuts. A solopreneur overpays estimated taxes by \$12K because nobody explained the safe harbor rule. A consultant stays as a sole proprietor three years too long because nobody modeled the S-corp election. A freelancer funds a SEP-IRA when a Solo 401(k) with voluntary after-tax contributions and an in-plan Roth conversion would have sheltered twice as much. None of this triggers a crisis. It compounds as drag. For this segment, a planning-fee model prices the relationship to the value delivered rather than to assets that don't yet exist.

These are the entry points for the most valuable client relationships a firm will build in the next decade. And today, at entry, very few firms are competing for them because the relationship is the asset. Build it now, and the AUM follows. Wait for the AUM, and someone else has built the relationship.

4.7M → 5.6M

Independent U.S. workers earning \$100K+, since 2024¹⁸



Savvy firms are segmenting now

Every firm owner asks the same question: How do you serve these clients without blowing up margins or cannibalizing the existing book?

The answer is segmentation. Each segment gets its own service model, priced and staffed to be independently profitable at a 20–35% target margin.¹⁹ Service boundaries follow scope, not account size: an essential tier delivers a financial plan, automated investment management, tax-loss harvesting, and structured annual reviews. Core adds quarterly reviews with estate, tax, and insurance coordination. Premier is the full bespoke relationship with additional specialists readily available. Billing flexes across tiers, priced to value delivered rather than assets held.

Our companion [segmentation playbook](#) covers the operational detail: Staffing models, workflows, pilot design, and the metrics that tell you whether each tier is working.

Firms are already proving the model works.

Mach 1 Financial grew from \$200–250M to \$600M AUM. Client service managers had been spending the same time on \$5,000 accounts as \$5 million accounts. The firm launched Ascent, a technology-enabled essential tier, and transitioned 600 clients. Fees and staff were reduced for the essential tier, while the freed capacity helped to boost revenue growth among their other segments. Account opening dropped from a multi-step, multi-person process to under five minutes. Mach 1 expects to grow AUM to \$1B within two years with only two to three additional hires.²⁰

Ritholtz Wealth Management runs five tiers across \$7.6B in AUM.²¹ Its digital entry tier, Liftoff, has no asset minimums: 520 clients, \$60M in assets. Josh Brown has called the tiering system "the lifeblood of our future growth."²²

Acorn Wealth Advisors, managing over \$400M, tested segmentation with 17% of their book. Results in three weeks: expanded capacity to onboard new clients and significant reduction in time spent on portfolio management and client onboarding—over 100 hours per year saved, based on weekly averages.²³

None of this was frictionless. Re-tiering creates client communication risk, pricing changes require careful framing to avoid sticker shock, and operations must standardize before the model scales. But the results came in weeks or months, not years, and set them up for the decade to come.

“

...the tiering system we've created has become the lifeblood of our future growth.

– JOSH BROWN, RITHOLTZ WEALTH MANAGEMENT

Clients. Views may not be representative. See [G2](#) reviews.

How the human advisor thrives in the AI world

Clients in these segments are already using AI, but that doesn't make the advisor less relevant. Instead, it makes their role more specific.

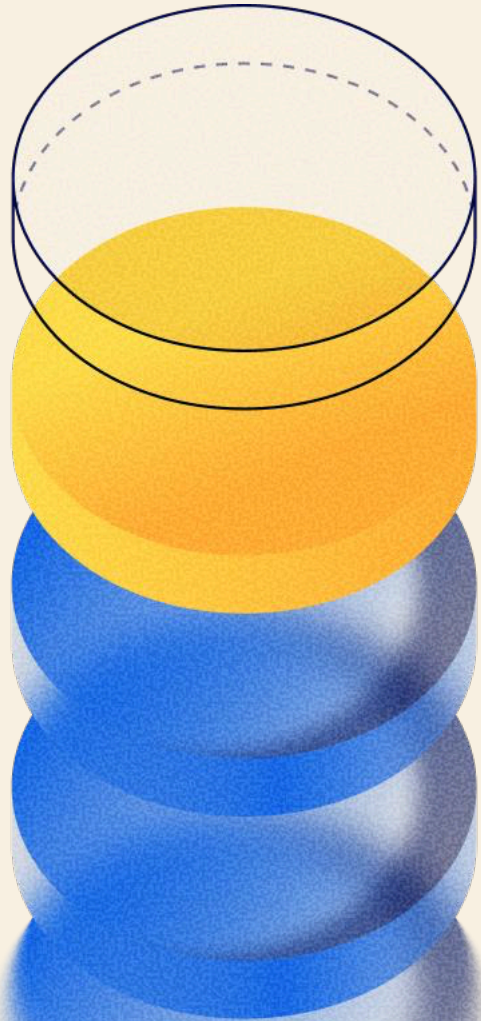
As information gets cheaper, judgment, coordination, and follow-through remain scarce. With AI, clients can get answers on demand, but what happens next is a struggle. The role of the advisor, then becomes that of a true advisor: They help in making high-stakes decisions in context, acting on it, and sticking with it over time.

An advisor sees patterns across the whole household that a prompt cannot fully hold, can make a recommendation with the trust and standing to make it land, and can turn a good idea into an implemented decision, because the relationship creates accountability.

For an equity-comp client who knows she should diversify, the information is not the problem—she already has that. The problem is acting when the stock is up, the story is good, and selling feels like bad timing. Her advisor builds a twelve-month diversification plan, explains the tradeoffs and hedging strategies, and holds the process together long enough for the decision to become real.

Nearly half of Americans say they prefer an advisor who understands and uses AI, and the preference is stronger among younger clients.²⁴ The firms that use technology to remove operational drag are not competing with AI, rather, they are freeing advisors to do their best work.





What kind of firm are you building?

Pushing up is necessary. Deepening service for existing affluent clients is how the best firms have always earned the fee, and technology makes that even more true. But pushing up alone is a bet that the firm's current book will keep it relevant for another 20 years. Given the demographics of most RIA books, that's a bet on a population that is drawing down, not building up.

Pushing outward is harder in year one and more durable in year three. It requires new service tiers, new pricing logic, and a willingness to serve clients the firm's current economics would reject. But firms that build it aren't choosing between emerging wealth and affluent households. They're building the engine that serves both. Infrastructure that makes a \$300K equity-comp client workable also makes a \$3M family more deeply served.

HNW-only can work for firms with the brand, referral networks, and scale to compete at that level. But for the nimble growth-stage firm, emerging wealth is an undeniable opportunity. Serve them well, and the affluent book grows from within rather than from acquisition.

Serve today's builders. Win tomorrow's inheritors.

Sources

¹ [Cerulli Associates, U.S. High-Net-Worth and Ultra-High-Net-Worth Markets Report \(2025\)](#) — \$124 trillion wealth transfer projections through 2048.

² [Cerulli Associates \(2025\)](#) — heir-retention survey of investors with \$250K+; reported by CNBC, October 2025.

³ [Capgemini, World Wealth Report \(2025\)](#) — 81% of next-gen HNWIs plan to switch their parents' firm within one to two years of inheriting; poor digital offerings and service fit among top reasons.

⁴ [Cerulli Associates \(2026\)/Cerulli Associates \(2023\)](#) — share of affluent investors willing to pay for advice rose from 38% (2010) to 68% (2025); self-directed segment declined from 41% to 24% since 2009.

⁵ [Schwab, The RIA and AI Research Study](#) — AI adoption (63%)

⁶ [Betterment, 2025 Advisor Survey](#) — technology ranked #1 factor in custodian selection at 55%, ahead of credibility/reputation (48%) and cost/fees (48%).

⁷ [The Ensemble Practice, 2024 advisory firm benchmarking](#) — record 39.2% operating profit margin, up from 36.4% in 2023; reported by Investment News.

⁸ [The Ensemble Practice / Kitces Research](#) — organic growth averaged 3.1% against stated target of 10%; industry average declined from ~9% (2017) to ~3% (current).

⁹ [The Ensemble Practice \(2024\)](#) — Nearly two-thirds of firms have incoming client growth below 3%; reported by FA Mag.

¹⁰ [The Ensemble Practice \(2024\)](#) — firms added just 4.1% in new assets from new client relationships while losing 2.0% of AUM to departing clients.

¹¹ [Schwab, RIA Benchmarking Study \(2024/2025\)](#) — 78% of firms reported hiring in 2024.

¹² [Mercer Capital, RIA M&A Update Q4 2025](#) — 276 RIA transactions in 2025, up from 233 in 2024.

¹³ [Mercer Capital \(2025\)](#) — PE-backed acquirers accounted for 72% of Q4 2025 transactions and 92% of transacted AUM.

¹⁴ [Rutgers University researchers, presented at the National Center for Employee Ownership \(NCEO\), April 2024](#) — approximately 11 million employees participate in equity compensation plans (RSUs, stock options, ESPPs), based on 2021 data.

¹⁵ [Cerulli Associates, "The Fees Issue" \(March 2025\)](#) — 21% of advisors receive revenue from financial plan fees, the most common nontraditional fee arrangement; reported by Wealth Solutions report.

¹⁶ [McKinsey](#) — 76% of Gen Z and 65% of Millennials seek financial advice online or via social media rather than through financial institutions.

¹⁷ [Vanguard, asset location research \(2022–2023\)](#) — Asset location can add up to about 0.3% annually in after-tax returns when investors have a balanced asset allocation, meaningful balances in both taxable and tax-advantaged accounts, and enough time for the benefits to compound. With the right asset allocation and account mix, a few broad principles—like placing less tax-efficient assets in tax-advantaged accounts—can help simplify asset location decisions.

¹⁸ [MBO Partners, State of Independence Report \(2025\)](#) — 72.9 million independent workers; 5.6 million earning \$100K+, up from 4.7 million in 2024.

¹⁹ [Betterment, Strategic Segmentation Playbook](#) — "does the math work" framework; 20–35% target margin per tier.

²⁰ [Mach 1 Financial case study \(Rogers, AR\)](#) — growth from \$200–250M to \$600M AUM; Ascent tier; 600 clients transitioned.

²¹ [RIABiz, February 2026](#) — Ritholtz Wealth Management AUM at \$7.6B.

²² [Ritholtz Wealth Management case study / Downtown Josh Brown blog](#) — five-tier model; Liftoff digital tier (520 clients, \$60M AUM, 0.50% fee, no minimums); Josh Brown quote.

²³ [Acorn Wealth Advisors case study \(Michigan\)](#) — 17% of book piloted. Results in three weeks: expanded capacity to onboard new clients and reduction in time spent on portfolio management and client onboarding. Average of 2 hours saved per week.

²⁴ [Northwestern Mutual, 2025 Planning & Progress Study \(conducted by The Harris Poll, January 2025, n=4,626\)](#) — 53% trust humans over AI for developing a tailored financial plan; less than 15% trust AI more than humans; 47% prefer an advisor who understands and uses AI (54% among Gen Z and Millennials).



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