

NEWSRELEASE

FOR IMMEDIATE RELEASE

New PriceMetrix Study Examines Common Pricing Behaviors in Retail Brokerage Shows 'Sympathy Pricing' is Bad For Business and Consistent Pricing is good!

Toronto, Ontario, September 19, 2011—Financial advisors who cut their fees during market downturns, a practice referred to as 'sympathy pricing,' are hurting their businesses over the long run, as well as suffering short-term losses, according to a new study from PriceMetrix, the first choice in practice intelligence solutions for retail brokerages in North America. In the study, which focused on transactional equity commissions, PriceMetrix found that advisors not only lose money immediately but also have lower average returns on assets than other advisors and are unable to reset their prices as quickly when markets recover.

"As we're seeing once again now, providing good advice to investors during volatile times is one of the most important services an advisor can offer," noted Doug Trott, President and CEO of PriceMetrix. "Clients pay for the advice and experience of their advisors. They do not expect a discount when market performance is poor, any more than they expect to pay a premium when market performance is strong. As such advisors should be confident charging a fair price in bad times, as well as good times. "

PriceMetrix' database contains aggregated data on over three million investors and 15,000 Financial Advisors. For the purposes of this study, the company looked at seven million equity trades over a three-year period ending in June 2011.

PriceMetrix found that the average financial advisor cut his or her fees substantially during the market turmoil of 2008 and 2009. During this period, the average discount on commissions rose from 37% to 43%.

Advisors have subsequently raised their fees with the average ticket size increasing from \$224 to \$231. On the other hand, price recovery has been fragmented as some advisors have more successfully raised rates than others have. Just 13% charge full price while half of all advisors discount their commissions by at least 30%.

One of the most important, but often overlooked, aspects of an effective pricing strategy is how consistently it is applied. By a variety of measures, advisors who priced trades consistently over the three-year period ending in 2011 outperformed advisors who did not. Consistent pricers had a higher price to principal ratio of 1.13% compared to 1.04% for inconsistent pricers. They also had a higher average return on assets of 0.76% compared to 0.71%.

"Advisors who price rationally and who demonstrate consistency outperform their peers," noted Mr. Trott. "Advisors should consider the value of their advice balanced against the value of the client relationship when they discount. Any revenue they may lose by offering a discount, they should get back, either through a referral to a new client or a greater share of the client's wallet."

Interestingly, PriceMetrix also found that advisors who raised their commissions over the past three years actually improved their businesses and experienced less client attrition than advisors who did not raise their prices. While advisors as a whole reduced their average client load over the period, the data show that advisors who raised their prices by 25% or more lost fewer clients than other advisors with a decline of 6.1% versus 9.4%. Further, average production increased 12% for the

NEWSRELEASE

group that raised prices compared to 9% for advisors who did not raise their fees. Advisors who raised prices saw a 10% growth in the number of households generating \$2500 or more in revenue compared to a 6% for other advisors.

"Raising prices does not result in significant client attrition, less revenue or fewer assets," said Mr. Trott. "Rather, the facts demonstrate that advisor-client relationships can withstand repricing and that clients are willing to pay for trusted advice."

PriceMetrix has found that advisors choose a particular price for a transaction for a number of reasons: what they believe the 'right' price is; rounding up or down to make a price easier to communicate; discounting to a price they believe clients are willing to pay or aligning price to compensation grid levels. Overall, the most popular pricing behavior is to price a trade at a flat fee, a round number like \$100 or \$150. The most popular price for a trade is \$100.

PriceMetrix believes that investment firms can help their advisors improve their pricing strategies by developing new price schedules, which are fair, clear, and rational. Firms should also work with their advisors to help them apply the new schedules. For example, firms can establish minimum ticket sizes or rewards good pricing practices. These steps can go a long way towards establishing and maintaining suitable pricing behavior among advisors.

PriceMetrix' equity commission pricing study can be accessed at www.pricemetrix.com/insights

PriceMetrix Contact:

Amrita Mathur
Director, Marketing
416-955-0514 Ext. 350
Amrita.Mathur@pricemetrix.com

About PriceMetrix:

PriceMetrix is the first choice in practice intelligence solutions for retail brokerages in North America. We help wealth management firms enhance revenue growth, by enabling advisors to identify and action otherwise lost revenue opportunities. By combining industry know-how with powerful aggregated market data, we help our clients increase overall firm profitability.

PriceMetrix directly measures aggregated data representing 3.2 million investors, 500 million transactions, 1 million fee-based accounts, 4 million transactional accounts and over \$900 billion in investment assets. PriceMetrix combines its patented process for collecting and classifying data with proprietary measures of revenue, assets, and households to create the most insightful and granular retail wealth management database available today.

Founded in 2000 and headquartered in Toronto, Ontario, we service a notable range of retail wealth management firms within the United States and Canada. To learn about why our clients love us, please visit www.pricemetrix.com or call and email us at 1-866-955-0514 and info@pricemetrix.com.