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THE TOLL BRIDGE COLLAPSES

Why Schwab-Style Referral Programs Have Stopped Being a Growth Strategy for RIAs — and What to Do Instead

$2M to $5M in Under a Year: Inside Schwab's Fastest-Moving Referral Goalpost

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Executive Summary

For two decades, the deal looked simple: custody your assets with a discount broker, and it will send you clients. Charles Schwab built the Schwab Advisor Network (SAN) on exactly that premise in 2002, and RIAs built entire growth strategies on top of it.

That deal is now being unwound, and unwound at a speed that should alarm every RIA still counting on it. Schwab moved the SAN client minimum from $500,000 to $2 million effective January 2026. And according to an August 2026 Citywire report citing an internal Schwab memo, the firm is already moving the goalpost again, to $5 million, barely months after the $2 million floor took effect.

What this means is that In roughly eighteen months, the bar **for a client to even qualify for a Schwab referral has risen tenfold**. This is not a program being fine-tuned. It is a program being deliberately shrunk, in a hurry, while Schwab builds a competing offer of its own.

Alongside the fee hikes and shrinking eligibility, Schwab's own CEO has told Wall Street analysts, on the record, that the company intends to convert up to 31% of its eight million self-directed retail accounts into fee-paying advisory relationships, using its own advisors, its own "Schwab Wealth Advisory" RIA, and a rapidly expanding army of branch-based financial consultants.

This is not a pricing adjustment. It is a strategic pivot from custodian-as-ally to custodian-as-competitor, and it should force every RIA that has treated a discount-broker referral program as a core growth engine to ask a hard question: are you building your firm, or are you building Schwab's funnel?

Our view is direct: firms that continue to depend on Schwab, Fidelity, or similar retail-brand referral programs as a primary growth lever are underwriting the very institution now positioned to compete with them for the same client relationships. The path forward is to distance the firm's brand and growth strategy from the retail custodian, reinvest in organic growth capability, and diversify into independent referral networks that have no retail wealth business competing for the same households.

1. The Bargain That Built an Industry

Schwab Advisor Network launched in 2002 (some Schwab materials date the broader program to 1995) on a straightforward value exchange: Schwab's retail brand and branch network generated far more prospective wealth management clients than Schwab's own advisors could serve, so it referred the overflow to independent RIAs who custodied assets on Schwab's platform. RIAs got a low-cost client acquisition channel; Schwab got sticky custody assets and a fee on top. For most of two decades, this looked like genuine alignment, Schwab positioned itself as the RIA's friend, its back office, its advocate in Washington, its host at Schwab IMPACT.

That framing was never entirely accurate, but it was accurate enough. Schwab needed RIAs to justify why it wasn't just another wirehouse. RIAs needed Schwab's scale to compete with wirehouses. The relationship worked because the incentives, imperfectly, pointed in the same direction. And in some circumstances, RIAs actually wanted to have the Schwab "bug" (logo) on their business cards to give them added credibility as the independent, fiduciary channel was still a niche within a niche within a niche and not widely known by consumers. Thus, the extreme value RIAs placed on the Schwab referrals.

2. The Acquisition That Changed the Math

The 2020 acquisition of TD Ameritrade was the first structural break in that alignment, even if it didn't feel like one at the time. It removed a genuine competitor, and alternative custody home, for more than 7,000 RIAs, folding roughly $1.3 trillion in assets and 3.6 million accounts into Schwab in the largest data migration the industry had ever attempted. Schwab now custodies for approximately 15,000 independent advisors and $10+ trillion in total client assets, a scale that gives any RIA far less leverage to simply walk to a competing custodian if the relationship sours.

Consolidation didn't just make Schwab bigger. It made Schwab systemically unavoidable for a huge share of the RIA industry, precisely as the company's internal incentives began to shift. And as part of this consolidation, Schwab eliminated hundreds of RIAs in the TD Ameritrade program, dramatically shrinking the custodian referral marketplace.

3. The Pivot: From Custodian to Competitor

Rick Wurster became Schwab's CEO on January 1, 2025, after previously overseeing the firm's wealth and asset management business. Under his leadership, Schwab has been explicit, in earnings calls, investor days, and SEC filings, about a strategic priority that should alarm every RIA that treats Schwab as a referral partner rather than a rival:

— Schwab has disclosed a plan to convert up to 31% of its self-directed retail book, roughly 8 million accounts holding more than $1 trillion, into paying clients of its in-house RIA, Schwab Wealth Advisory. In the Wall Street lingo, this is called, "stepping on those assets," an unprecedented cultural change inside the organization that used to literally fire any representative that made an explicit recommendation.

— Wurster has told analysts that converting do-it-yourself accounts into advised relationships generates roughly three times the return on capital of a self-directed account, and has called Schwab's retail base an "unmatched conversion funnel."

— Schwab frames this not as competition but as market expansion, citing an estimated $37 trillion in U.S. wealth it says remains outside any advisory relationship. That framing is convenient, but it does not change where Schwab is pointing its capital and its branch network: at the same mass-affluent and emerging high-net-worth households RIAs are trying to acquire.

— Managed-account flows into Schwab's own wealth advisory and referral programs combined were up roughly 50% year over year in the first half of 2026, reaching $41 billion, growth Schwab is generating in part through the same branch network that used to exist mainly to refer clients out to RIAs.

— In a July 2026 print advertisement signed by founder Charles Schwab, the company disclosed a target of more than 20 million new client accounts over the next five years, on top of the 48 million accounts and $13 trillion in assets it already holds, and confirmed it is **actively hiring "thousands more financial consultants"** beyond the 3,000-plus it already employs across 400-plus branches.

Alongside this, Schwab has been visibly building the sales force to execute the conversion strategy. The company already operates nearly 400 branches and employs thousands of financial consultants; it has announced plans to open 16 new branches, expand or relocate 25 more, and hire for up to 400 additional branch-related roles, including financial and wealth consultants explicitly positioned to serve high- and ultra-high-net-worth clients. Its "Financial

Consultant Academy" now recruits new advisor talent on a quarterly cycle, engineered to keep the branch-based advice funnel staffed and growing.

Schwab's public position is that it isn't competing with RIA clients, that there is more than enough of a $37 trillion opportunity for everyone. RIAs are entitled to be skeptical of a competitor's assurance that it doesn't see them as competition, particularly when that assurance comes attached to a disclosed 31% conversion target and an expanding in-house advisor sales force pointed at the same households SAN referrals are meant to serve.

4. Raising the Toll — Twice in Under a Year

At the same time Schwab has been building its own advice capability, it has made its RIA referral program smaller, costlier, and harder to access in a sequence of moves that has compressed dramatically in 2025–26

Let's sit with the pace of that timeline. Schwab held its SAN client minimum at $500,000 for roughly two decades. It then raised that minimum to $2 million, effective January 2026. Within months of that change taking effect, Schwab was reportedly already preparing to raise it again, to $5 million. A threshold that took twenty years to move the first time is now reported to have moved twice in under a year. Whatever the merits of Schwab's stated rationale, a moving target of that speed leaves RIAs with no stable floor to plan a referral-dependent growth strategy around.

Schwab's public rationale, that a 20-year-old $500,000 minimum simply hadn't kept pace with inflation and asset growth, and that raising it lets participating RIAs focus on higher-value clients is not unreasonable on its face for a single increase. It is far harder to credit as the explanation for a second increase, to $5 million, arriving within months of the first. The effect, whatever the intent, is a referral program that fewer firms can even join, that filters out an even larger share of prospective clients before they ever reach an RIA, and that costs meaningfully more for the referrals that remain, compressing in real time, in the same period Schwab disclosed its own plan to keep the highest-value conversions in-house.

One securities attorney was blunter about the RIA-side minimum increase, calling it something that "victimizes many of the smaller firms that came to [Schwab] in good faith," while noting those firms had, in his words, "knowingly flown into the fly paper." That was said of the move to $2 million. If the $5 million threshold is confirmed, the same critique applies with far more force: SAN is no longer a program being fine-tuned. It is being narrowed, in a hurry, toward Schwab's largest, most captive custody relationships at the exact moment Schwab is building the infrastructure to serve the clients it no longer refers out.

5. The Math of Disintermediation

Put the pieces together and the strategic logic is not subtle, and the speed of the SAN minimum's climb from $500,000 to $2 million to a reported $5 million is the clearest single signal of intent in the entire picture:

— Schwab controls the retail brand relationship: the branch, the rep, the app, the statement, the 800 number, for tens of millions of accounts.

— Schwab controls whether, when, and to whom a given prospect gets referred out and has raised the bar for who qualifies twice in under a year, each time shrinking the pool of clients RIAs are even eligible to receive.

— Schwab is now explicitly building and staffing the in-house capability to serve the accounts it used to refer out, with a disclosed target of converting nearly a third of its self-directed book precisely the accounts a $5 million SAN floor would now exclude from referral.

— RIAs, meanwhile, remain dependent on Schwab for custody, technology, and increasingly, the referral pipeline itself, a dependency that consolidation (via the TD Ameritrade acquisition) has made harder to exit.

A referral partner that is simultaneously your custodian, your lead source, and your fastest-growing competitor is not a growth strategy. It is a structural conflict of interest that an RIA has no ability to negotiate, audit, or opt out of, and one that is now moving too fast for any firm to comfortably build a business plan around. Every dollar and every client relationship funneled through that channel flows through an organization with a disclosed incentive to keep the next one for itself, on a timeline it can shorten at will.

6. What RIAs Should Do Now — and Why It Can't Wait

As the SAN client minimum has moved from $2 million to $5 million within a matter of months, the usual advice to “diversify referral sources over time” understates the urgency. A firm whose pipeline assumed a $2 million floor may already be planning around referral volume that no longer exists. This is not a five-year strategic review. It is a today problem.

Distance the firm's growth identity from the retail brand.

Clients referred through a retail custodian arrive already primed to think of “Schwab” (or Fidelity, or a similar platform) as the relationship of record, with the RIA as a downstream vendor. That framing was tolerable when the custodian had no competing offer. It is a liability when the custodian is actively building one. Firms should audit how much of their brand equity, marketing language, and client onboarding still leans on the custodian's name rather than the firm's own value proposition.

Reignite organic growth as the primary engine, not the backup plan.

Referral programs became a crutch for many RIAs precisely because they were cheap and easy relative to building real organic growth capability, content, advisor-led thought leadership, client-experience-driven referrals, digital demand generation, and category-specific positioning. That underinvestment is now a strategic vulnerability. Firms that rebuild muscle in organic growth are the ones best insulated from a custodian's unilateral decision to shrink or repurpose its referral pipeline.

Diversify into referral networks with no competing wealth business.

Not every referral channel carries the same conflict. Independent referral networks and platforms that do not operate a competing retail brokerage, retail branch network, or in-house RIA do not have the same disclosed incentive to eventually convert and keep the client. Firms should treat “does this partner compete with me for the end client” as a first-order due diligence question for every referral relationship, not an afterthought.

Treat custodial concentration itself as a risk to be managed.

The TD Ameritrade acquisition is a reminder that custodial choice can narrow through no action of the RIA's own. Firms with meaningful assets concentrated at a single custodian with an expanding wealth management ambition should revisit multi-custodial strategy as a resilience question, not just an operational one.

Conclusion

The RIA industry grew up believing the discount brokers were on its side. For a long stretch, they were, or at least, their interests were aligned closely enough that the distinction didn't matter. That era is ending, and the evidence is not speculative, it is in Schwab's own SEC filings, its own earnings calls, its own fee schedules, and now, reportedly, in an internal memo moving the referral goalpost for the second time in under a year.

The speed is the message. A custodian confident in the durability of its RIA partnerships does not need to move its referral threshold from $500,000 to $2 million to a reported $5 million inside eighteen months. Firms that recognize this shift now, and rebuild their growth strategy around organic capability and genuinely independent partners, will be the ones still choosing their own client relationships a decade from now. Firms that wait for the next memo to find out where the goalpost has moved will not have that luxury.

About Nexus Strategy, LLC

Nexus Strategy is a leading marketing and go-to-market strategy consulting firm serving the independent wealth management industry. Founded by Timothy D. Welsh, CFP®, Nexus Strategy has spent nearly two decades helping technology companies, investment product firms, wealth management platforms, and financial institutions navigate the independent RIA channel successfully. Tim speaks at more than two dozen industry conferences annually and has contributed more than 100 thought leadership articles, white papers, and advisor profiles to leading industry publications including wealthmanagement.com, RIABiz, and ThinkAdvisor. Nexus Strategy is also the architect of the Wealthies, wealthmanagement.com's widely recognized annual industry awards program.

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