Federated Hermes

Press Release

Federated Hermes Survey Finds RIAs Turning to Tech, AI and Alternatives to Drive Growth in 2025

- **58% of advisors say AI could expose them to compliance risks**

(PITTSBURGH, Pa., Sept. 30, 2025) — Federated Hermes today announced the results of its 2025 RIA and Independent Advisor Survey, which reveals how independent advisors are navigating business growth, technology adoption and investment trends in an evolving market environment. Now in its fifth year, the study surveyed 271 financial advisors across the U.S., each with oversight of at least $300 million in client assets under management.

The findings show that efficiency and scale remain top priorities, with 85% of advisors saying technology has made their businesses more efficient, up from 76% just two years ago. While digital tools such as marketing automation are becoming more common, referrals and personal communication remain the leading drivers of client growth, underscoring the continued importance of human connection in building relationships. Nearly 70% of advisors report working in teams, with seven in 10 especially focused on leveraging technology to expand their reach.

The survey also highlights both enthusiasm and caution around artificial intelligence. Nearly nine in 10 advisors expect to implement AI into their workflows within the next year[1], pointing to general business efficiency gains, client communication improvements, and back-office automation as key benefits. At the same time, compliance and accuracy concerns loom large, with 63% of respondents highlighting potential errors from AI agents and 58% flagging compliance and regulatory risk. Advisors ranked AI integration among the top areas where they seek support and guidance from asset managers, signaling the industry's desire for practical, responsible pathways to adoption.

Portfolio construction trends are shifting as well. For the first time, exchange-traded funds (ETFs) now account for nearly the same share of client assets as mutual funds, at 24.2% and 24.7% respectively. Mutual fund allocations have steadily declined from about 39% in 2022, while ETF adoption has remained stable or grown. Alternatives are also gaining traction, with 70% of RIAs and 81% of larger RIA consolidator firms open to incorporating them for diversification, return potential, and risk management. Advisors acknowledged, however, that challenges in execution and sourcing remain barriers, suggesting opportunities for product innovation and education.

"Advisors are balancing optimism about innovation with caution about risk," said Paul Uhlman, president of Federated Securities Corp. "That's why we offer a full spectrum of solutions designed for their evolving needs from active ETFs and mutual funds to separately managed accounts and collective investment trusts, and spanning the objectives of liquidity through alternative strategies. Our goal is to help advisors understand and efficiently adopt new tools, diversify portfolios and provide the opportunity to deliver better outcomes for clients."

MEDIA:
Ed Costello 412-288-7538

MEDIA:
Libby Graner 412-288-7961

ANALYSTS:
Ray Hanley 412-288-1920

Advisors can contact Federated Hermes to learn more about insights, portfolio solutions, and practice management support.

Federated Hermes, Inc. (NYSE: FHI) is a global leader in active investment management, with $845.7 billion in assets under management, as of June 30, 2025. We deliver investment solutions that help investors target a broad range of outcomes and provide equity, fixed-income, alternative/private markets, multi-asset and liquidity management strategies to more than 10,000 institutions and intermediaries worldwide. Our clients include corporations, government entities, insurance companies, foundations and endowments, banks and broker/dealers. Headquartered in Pittsburgh, Federated Hermes has more than 2,000 employees in London, New York, Boston and offices worldwide. For more information, visit **FederatedHermes.com/us**.

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[1] Source: ISS Market Intelligence, July 2025

Investments are subject to risk and fluctuate in value. Diversification does not assure a profit nor protect against loss.

An anonymous, online survey of a respondent panel provided by OpinionRoute, LLC, was fielded between May 28, 2025, and June 16, 2025. The survey had a margin of error of +/- 5% at a 95% confidence level. Advisor respondents included fee-based registered investment advisors (RIAs), independents, dually registered or hybrid advisors, and private client or wealth management advisors. A majority of respondents represented firms with between $300M and $999 million in assets under management and client/household relationships between $25 million and $249 million. The study is augmented by 10 anonymous interviews with survey respondents selected by the vendor.