



CONDUIT ADVISORS

STRATEGY BRIEF · RIA CUSTODY LANDSCAPE

The Calculus of Custody

How Core Features, Referral Programs, Pricing, Technology,
Recruiting, and M&A Are Redrawing the RIA Custody Ecosystem

A Strategy Brief on the Legacy and Challenger Custodian Landscape · September 2026

Louis J Hanna, JD

Conduit Advisors

ConduitAdvisors.net

LHanna@conduitadvisors.net

EXECUTIVE SUMMARY

A static decision has become a calculus

For three decades, choosing an RIA custodian was a relatively static decision: Schwab, Fidelity, or Pershing, differentiated mostly by scale and service tier. That era is over. In 2026, the custody decision has become a genuine calculus — a multi-variable trade-off across core features, referral economics, pricing structure, technology architecture, recruiting support, and M&A exposure. Legacy custodians are defending trillion-dollar franchises built on distribution and trust, while challenger platforms are attacking on technology, transparency, and speed.

\$4.6B

Vanguard's reported price for Altruist (Aug 2026)

\$2.7B

LPL's acquisition of Commonwealth Financial Network

~23,000

SEC-registered investment advisory firms in the U.S.

6

Variables in the custody decision

The inflection point arrived in August 2026, when Vanguard — the world's largest index-fund manager, with roughly \$12 trillion in assets — agreed to acquire challenger custodian Altruist for a reported \$4.6 billion, more than double Altruist's last private valuation. The deal followed a wave of fee experiments at Schwab and Fidelity, including new ETF platform fees and a (paused) per-account trading charge, both widely read as custodians hunting for new revenue as cash-sweep economics compress. Layered on top is a record year for RIA M&A and continued consolidation among broker-dealers, most visibly LPL Financial's \$2.7 billion acquisition of Commonwealth Financial Network.

This paper breaks the custody decision into six variables, maps the legacy and challenger landscape against each, and offers a framework RIAs can use to evaluate — and re-evaluate — their custodial relationships in a market that is moving faster than it has in a generation.

01 The Market Map: Legacy Incumbents vs. Challengers

The RIA custody market remains highly concentrated even as new entrants gain share. Schwab alone is reported to serve well over half of the roughly 23,000 SEC-registered investment advisory firms in the U.S., a position cemented by its acquisition and integration of TD Ameritrade's retail custody business. Fidelity and BNY Pershing round out the traditional "big three," while LPL Financial operates a hybrid broker-dealer/custodian model that has become an active consolidator in its own right.

Challenger custodians — led by Altruist, alongside smaller specialists like Axos Advisor Services, TradePMR, and SEI — have carved out share primarily among newly formed RIAs, breakaway advisors, and smaller independent practices that prioritize modern technology and transparent pricing over sheer scale. Altruist's growth has been the standout story of the past three years, culminating in its agreed sale to Vanguard.

Custodian	Category	Approx. Scale (2026)	Defining Trait
Charles Schwab (Advisor Services)	Legacy incumbent	~15,000+ RIA firms; \$5+ trillion in assets	Market leader by a wide margin; absorbed TD Ameritrade's book
Fidelity Institutional (Wealthscape)	Legacy incumbent	~3,300+ RIA firms	Deepest institutional infrastructure; favored by larger/mid-size RIAs
BNY Pershing	Legacy incumbent	\$3+ trillion in assets under custody/administration	Serves broker-dealers, family offices, and complex/alternatives-heavy books
LPL Financial	Hybrid BD / custodian	\$2.3+ trillion in brokerage & advisory assets	Rapidly consolidating via M&A (Commonwealth, Investacorp, others)
Altruist	Challenger	6,000+ advisors as of mid-2026; agreed sale to Vanguard for a reported \$4.6B	Tech-first, flat pricing, no AUM minimum; fastest-growing custodian
Axos Advisor Services / TradePMR / SEI	Challenger / specialist	Smaller, focused advisor bases	Niche positioning on pricing, outsourced investment mgmt, or bank-charter flexibility

Figures reflect publicly reported data as of Q3 2026 and are approximate; custodians differ in what they disclose publicly.

02 The Six-Variable Framework

RIAs evaluating a custodian relationship — or defending one against a competitive pitch — are effectively solving for six interdependent variables. No custodian wins on all six; the calculus is about which trade-offs fit a given firm's size, client base, and growth strategy.

Variable	Legacy Custodians	Challenger Custodians
Core Features	Broad trading, lending, banking, and alternatives capabilities built over decades; deepest third-party integration libraries.	Purpose-built for RIA workflows: unified billing, digital onboarding, automated rebalancing, and AI features baked in from day one.
Referral Programs	Large, established referral networks (e.g., Schwab Advisor Network, Fidelity Wealth Advisor Solutions) that funnel retail clients to vetted RIAs — but with rising minimums and fees.	Emerging affiliate and referral models designed to compete for breakaway advisors rather than retail leads.
Pricing	Historically 'free' custody subsidized by cash sweep spreads, payment for order flow, and revenue sharing; now testing ETF platform fees and per-account trading charges as sweep economics compress.	Flat, transparent pricing with no AUM minimums; monetization tied to software tiers and cash management rather than trading.
Technology	Mature but sometimes fragmented platforms (Schwab Advisor Center, Fidelity Wealthscape); heavy reliance on third-party integrations.	Natively integrated tech stack (custody + portfolio management + billing + planning) with AI-driven servicing built in.
Recruiting	Dedicated breakaway transition teams and concierge-style onboarding for advisors leaving wirehouses.	Self-service, fast onboarding; increasingly building affiliate/RIA-in-a-box models to capture breakaways directly.
M&A	Consolidating downstream (LPL–Commonwealth) and defending share as fee models shift.	Being consolidated upstream — Vanguard's acquisition of Altruist signals asset managers buying distribution and custody outright.

2.1 Core Features

Legacy custodians compete on breadth: banking and lending products, deep alternative-investment shelves, and the widest third-party integration ecosystems in the industry — virtually every major portfolio management, CRM, and financial-planning platform maintains a certified data feed with Schwab and Fidelity. Challengers compete on cohesion: Altruist, for example, bundles custody, billing, reporting, and portfolio management into a single system rather than requiring a patchwork of point solutions, and has layered in AI-driven planning support (branded "Hazel") to reduce operational overhead for smaller teams.

2.2 Referral Programs

Referral networks remain one of the most powerful — and most contested — growth levers in the industry. Schwab Advisor Network and Fidelity Wealth Advisor Solutions route retail clients to vetted RIAs in exchange for an ongoing revenue share, and participating firms have reported client retention rates above 97%. But access is tightening: Schwab raised its referral fees in 2025 and is lifting the minimum investable-asset threshold for referred clients from \$500,000 to \$2 million in 2026, a move consultants describe as the custodian repositioning the program around wealthier clients — and, in effect, walking back from smaller RIAs. Challenger custodians do not yet operate referral networks at this scale, but are building competing mechanisms, including affiliate and "RIA-in-a-box" models aimed at capturing breakaway advisors directly.

2.3 Pricing and Monetization

Custody has never been truly free — RIAs and their clients have long paid indirectly through cash-sweep spreads, payment for order flow, ticket charges, and revenue sharing on proprietary products. That model is under visible strain. Schwab cut its cash-sweep yield by roughly 89% over five months into early 2025, even as its money-market alternatives yielded several points more; Fidelity has similarly defaulted RIA cash into lower-yielding proprietary sweep vehicles. In 2026, both major custodians escalated further: Schwab piloted (then paused, amid RIA pushback) a \$5-per-account trading fee aimed at large block-trading RIAs, and both Schwab and Fidelity are moving toward roughly 15% revenue-based ETF "platform" fees slated for year-end 2026. Industry analysts have directly linked these fee moves to Vanguard's decision to acquire its own point of custodial sale rather than continue paying tolls to distribute its funds through Schwab and Fidelity's platforms. Challenger custodians, by contrast, have marketed flat, transparent pricing with no AUM minimums as a core differentiator — though they too must eventually monetize custody somehow, whether through cash management, software tiers, or scale economics.

2.4 Technology

Technology has shifted from a back-office consideration to the primary battleground. Legacy platforms — Schwab Advisor Center and Fidelity Wealthscape — offer mature, feature-rich portals but were built incrementally over decades and often require advisors to stitch together separate CRM, planning, and portfolio-management tools. Challenger platforms were built RIA-first: unified onboarding, automated rebalancing, and native tax management are standard rather than bolted on. AI is now table stakes across the board — LPL executives have described using AI to "prop the advisor up" on service-heavy tasks, while Schwab's leadership has floated future "agentic" cash-management tools as a potential new fee-generating advisory service. The differentiator going forward is likely to be less about whether a custodian has AI features and more about how deeply those features are integrated into daily workflow versus offered as an add-on.

2.5 Recruiting and the Breakaway Channel

Advisor movement to independence continues to accelerate, and custodians are competing hard for that flow. Legacy custodians offer white-glove, concierge-style transition teams for advisors leaving wirehouses — a meaningful advantage for complex, large-scale transitions. Challenger custodians lean on speed and self-service: faster onboarding, fewer AUM minimums, and increasingly, affiliate programs that let advisors go independent without building an entire back office themselves. The stakes are high on both sides: LPL's acquisition of Commonwealth Financial Network was followed by meaningful advisor attrition — one industry analysis found roughly 22.5% of Commonwealth's advisors exited within months of the deal closing — illustrating that recruiting is a two-way street, and that consolidation can spur breakaways as easily as it retains them.

2.6 Mergers and Acquisitions

M&A has become the fastest-moving variable in the calculus, and 2025–2026 has been the most active window the industry has seen. On the broker-dealer side, LPL Financial's \$2.7 billion acquisition of Commonwealth Financial Network — plus a minority stake in Private Advisor Group — signals a consolidator strategy built on scale and succession-driven RIA M&A, which industry trackers expect to keep accelerating in 2026. On the custody-technology side, Vanguard's agreement to acquire Altruist for a reported \$4.6 billion is the more structurally significant event: it is the largest acquisition in Vanguard's 50-year history and marks the first time an asset manager of its scale has bought its way directly into custody, clearing, and the daily operating workflow of independent advisors, rather than simply distributing funds through someone else's platform. Altruist is expected to continue operating as a standalone brand under founder Jason Wenk, but the deal immediately reframes the competitive map: Schwab and Fidelity now face a challenger backed by one of the deepest balance sheets in asset management.

03 Case Study: The Vanguard–Altruist Deal as Inflection Point

The largest acquisition in Vanguard's 50-year history — and the first time an asset manager of its scale has bought its way directly into custody.

Reported \$4.6B · more than a 100% premium to Altruist's last private valuation of ~\$1.9B

The Vanguard-Altruist transaction is worth examining on its own because it touches all six variables simultaneously. It is a features story (Vanguard gains an AI-forward, RIA-native technology stack overnight rather than building one). It is a pricing story (analysts widely tie the deal's timing to Schwab and Fidelity's new ETF platform fees, which threaten to tax exactly the kind of low-cost

index distribution Vanguard depends on). It is a technology story (Altruist's automation and "Hazel" AI capabilities were repeatedly cited in deal commentary). It is a recruiting story (Vanguard gains direct access to more than 6,000 advisors and, by extension, a new distribution channel for its funds). And it is unambiguously an M&A story that resets valuation benchmarks for the entire wealth-tech category — the deal represents more than a 100% premium to Altruist's last private valuation of roughly \$1.9 billion, set only sixteen months earlier.

What remains uncertain is execution. Industry observers have flagged a real cultural gap between Vanguard's institutional, process-driven culture and Altruist's fast-moving, founder-led operating style, and the deal will need regulatory approval before closing later in 2026. How Vanguard balances integration against preserving the agility that made Altruist attractive in the first place will likely determine whether this becomes the template for future asset-manager-into-custody deals, or a cautionary tale.

04 What This Means for RIAs: A Practical Framework

Firms evaluating or re-evaluating a custodial relationship should treat the decision as a structured trade-off rather than a single-factor choice. Useful questions include:

- 1 **Features:** Does the custodian's native platform cover our workflow, or are we assembling and paying for a third-party stack on top of it?
- 2 **Referral economics:** If we rely on a referral network for growth, how exposed are we to a change in minimums, fees, or eligibility criteria?
- 3 **Pricing transparency:** Do we know, in basis points, what our clients are effectively paying through cash-sweep spreads, ticket charges, and product revenue sharing — and would a platform or ETF fee change that math materially?
- 4 **Technology roadmap:** Is the custodian investing in AI and automation in ways that reduce our operational burden, or are we bearing the integration cost ourselves?
- 5 **Recruiting and transition support:** If we are building through breakaway hires, does our custodian's transition support match the complexity of the advisors we are trying to attract?
- 6 **M&A exposure:** Is our custodian a likely acquirer, a likely target, or reasonably stable — and what would a change of ownership mean for pricing, technology continuity, and service model?

Multi-custodian strategies — already used by more than 6,000 RIA firms — remain a practical hedge against any single one of these variables shifting unfavorably, though they add operational complexity that must be weighed against the diversification benefit.

05 Outlook

Expect the pace of change to continue rather than settle. Watch for: how Schwab and Fidelity finalize and roll out ETF platform fees at year-end 2026; whether Vanguard's Altruist deal draws regulatory scrutiny or invites other asset managers to pursue similar custody acquisitions; continued broker-dealer consolidation as succession-driven RIA M&A keeps setting records; and further erosion — or defense — of cash-sweep economics as advisors get more sophisticated about sweeping client cash into higher-yielding alternatives. The custodians that win the next five years will likely be the ones that most convincingly resolve the tension between monetization and advisor trust — a tension that, as of September 2026, remains very much unresolved.

Sources

This paper draws on public reporting and industry analysis from RIABiz, Financial Planning, Citywire RIA, InvestmentNews, Wealth Management, Axios, the Kitces.com blog, AdvizorPro, Vanguard's corporate newsroom, and other trade press covering the RIA custody market through September 2026. Figures on assets, advisor counts, and deal terms reflect the most recent publicly reported data at the time of writing and are subject to revision as deals close and firms report updated figures.

Louis J Hanna, JD

Conduit Advisors

ConduitAdvisors.net

LHanna@conduitadvisors.net