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# EDITED TRANSCRIPT

LPLA.OQ - Q4 2025 LPL Financial Holdings Inc Earnings Call

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## OVERVIEW:

Company Summary

## CORPORATE PARTICIPANTS

**Richard Steinmeier** *LPL Financial Holdings Inc - Chief Executive Officer, Director*

**Matthew Audette** *LPL Financial Holdings Inc - President, Chief Financial Officer*

## CONFERENCE CALL PARTICIPANTS

**Steven Chubak** *Wolfe Research LLC - Equity Analyst*

**Alexander Blostein** *Goldman Sachs Group Inc - Analyst*

**Daniel Fannon** *Jefferies LLC - Equity Analyst*

**Craig Siegenthaler** *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

**Michael Cho** *JPMorgan Chase & Co - Analyst*

**Benjamin Budish** *Barclays Services Corp - Analyst*

**Brennan Hawken** *Bank of Montreal - Analyst*

**Devin Ryan** *Citizens JMP Securities LLC - Analyst*

**Bill Katz** *Cowen and Company LLC - Analyst*

**Michael Cyprys** *Morgan Stanley - Analyst*

**Jeff Schmitt** *William Blair Capital Partners - Equity Analyst*

**Wilma Burdis** *Raymond James - Analyst*

## PRESENTATION

### Operator

Good afternoon, and thank you for joining the fourth-quarter 2025 earnings conference call for LPL Financial Holdings, Inc. Joining the call today are Chief Executive Officer, Rich Steinmeier; and President and Chief Financial Officer Matt Audette. Rich and Matt will offer introductory remarks, and then the call will be open for questions. The company would appreciate if analysts would limit themselves to only one question. (Operator Instructions)

The company has posted its earnings press release and supplementary information on the Investor Relations section of the company's website, [investor.lpl.com](http://investor.lpl.com).

Today's call will include forward-looking statements, including statements about LPL financials, future financial and operating results, outlook, business strategies and plans, as well as other opportunities and potential risks that management foresees.

Such forward-looking statements reflect management's current estimates or beliefs and are subject to known and unknown risks and uncertainties that may cause actual results or the timing of events to differ materially from those expressed or implied in such forward-looking statements. For more information about such risks and uncertainties, the company refers listeners to the disclosure set forth under the caption, forward-looking statements in the earnings press release as well as the risk factors and other disclosures contained in the company's recent filings with the Securities and Exchange Commission.

During the call, the company will also discuss certain non-GAAP financial measures. For a reconciliation of such non-GAAP financial measures to the comparable GAAP figures, please refer to the company's earnings release, which can be found at [investor.lpl.com](http://investor.lpl.com).

With that, I'll turn the call over to Mr. Steinmeier.

**Richard Steinmeier** - LPL Financial Holdings Inc - Chief Executive Officer, Director

Thanks, operator, and thank you to everyone for joining our call. It's a pleasure to speak with you again. Before touching on our fourth-quarter results, it was a milestone year for LPL as we significantly advanced our key strategic priorities.

To reflect on a few of our key accomplishments, we delivered industry-leading organic asset growth of 8%, including the onboarding of the retail wealth management businesses of Wintrust Financial and First Horizon, which collectively support over 200 financial advisors managing roughly \$34 billion in client assets. We completed the onboarding and integration of Atria Wealth Solutions, converting seven distinct broker-dealers to the LPL platform. We signed and closed our acquisition of Commonwealth Financial Network, marking the largest deal in LPL history, welcoming their home office staff and approximately 3,000 advisors to the LPL family.

We launched a national marketing campaign to elevate our brand with advisors and their clients. We significantly advanced our employee experience, resulting in our highest employee engagement scores in nearly a decade. We made meaningful progress driving improved operating leverage. And finally, our collective efforts resulted in record adjusted earnings per share of \$20.09.

Okay, now let's turn to our Q4 results. In the quarter, total assets increased to a record \$2.4 trillion driven by organic growth and higher equity markets. We attracted organic net new assets of \$23 billion, representing a 4% annualized growth rate. Our fourth-quarter business results led to strong financial performance with record adjusted EPS of \$5.23, an increase of 23% from a year ago.

Next, let's turn to our strategic plan and progress across our organic and inorganic initiatives. Our vision is clear: we aspire to be the best firm in wealth management.

To do that, we are focused on three key priorities: one, maintaining the client-centricity the firm was built on; two, empowering our employees to deliver exceptionally for our advisors and their clients; and three, delivering improved operating leverage. Effectively executing on these focus areas will help us sustain our industry-leading growth while advancing the efficiency and effectiveness of our model.

With that as context, let's review a few highlights of our business growth. In Q4, recruited assets were \$14 billion, bringing our total for the year to \$104 billion. Throughout the quarter, our pipelines continued to build and are near record levels. Recognizing that many opportunities are in the early and mid-stages, we expect to pull through to improve over the course of the year as we reignite our industry-leading growth engine.

In our traditional markets, we added approximately \$13 billion in assets during Q4, as we maintained our industry-leading capture rates of advisors in motion. With respect to our expanded affiliation models, Strategic Wealth, independent employee, and our enhanced RIA offering, we delivered another solid quarter, recruiting roughly \$1 billion in assets.

Turning to overall asset retention, it was 97% for Q4 and over the last 12 months. This is a testament to the continued efforts to enhance the advisor experience through the delivery of new capabilities and technology and the evolution of our service and operations.

As for Commonwealth, we are thrilled to be working closely with our new colleagues to develop the target operating model and positioning for the Commonwealth value proposition within our suite of offerings. The work is well underway, and we remain on track to onboard the Commonwealth advisors in Q4.

In parallel, in partnership with our Commonwealth colleagues, we remain focused on helping their advisors understand the benefits of staying with Commonwealth, ensuring each advisor has everything needed to complete their diligence and make an informed decision. We continue to expect roughly 90% retention of client assets. As we get closer to onboarding later this year, our estimate will continue to firm up.

In closing, the fourth quarter was a capstone on an outstanding year. This is a result of the dedication of our team and their unwavering commitment to our advisors. So I want to thank everyone at LPL for their efforts.

As we look ahead, we remain well-positioned, to serve as a critical partner to our advisors and institutions, to continue delivering industry-leading organic growth and to maximize long-term value for shareholders.

With that, I'll turn the call over to Matt.

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**Matthew Audette** - LPL Financial Holdings Inc - President, Chief Financial Officer

Thanks, Rich. And I'm glad to speak with everyone on today's call. As we reflect on 2025, it's been a year of meaningful progress for LPL as we continue to execute against some of our key strategic priorities, which include advancing our efforts to drive improved operating leverage through a combination of increased efficiency in our business and refinements to pricing to ensure it is aligned with the value we deliver and driving further improvements to the advisor experience by removing friction through investments in automation across our service, operations, and supervision.

As we look ahead, we're encouraged by the opportunities in front of us to better serve our advisors and continue strengthening our industry-leading value propositions.

Now, turning to a few highlights from our Q4 business results. Total advisory and brokerage assets were \$2.4 trillion, up 2% from Q3, as continued organic growth was complemented by higher equity markets. Total organic net new assets were \$23 billion and approximately 4% annualized growth rate.

For the full year, total organic net new assets were \$147 billion or an approximately 8% growth rate. As for Q4 financial results, the combination of organic growth and expense discipline led to adjusted pre-tax margin of approximately 36% and record adjusted EPS of \$5.23.

Growth profit was \$1.542 billion, up \$62 million sequentially. As for the key drivers, commission advisory fees that are payout were \$453 million, up \$27 million from Q3. Our payout rate was 88%, up 53 basis points from Q3 due to the seasonal build in the production bonus.

With respect to client cash revenue, it was \$456 million, up \$14 million from Q3 as the sequential growth in balances more than offset the impact of lower short-term interest rates. Overall, client cash balances ended the quarter at \$61 billion, up \$5 billion sequentially, a strong outcome even when considering the typical Q4 seasonal build. Within our ICA portfolio, the mix of fixed rate balances ended of the quarter at roughly 55% within our target range of 50% to 75%.

Looking more closely at our ICA yield, it was 341 basis points in Q4, down 10 basis points from Q3, driven by the impact of the October and December rate cuts. As we look ahead to Q1, we expect the full quarter impact of the Q4 rate cuts to lower our ICA yield by roughly 10 basis points. As for service and fee revenue, it was \$181 million in Q4, up \$6 million from Q3, as a full quarter of Commonwealth was partially offset by lower conference revenue in IRA fees.

Looking ahead to Q1, we expect first-quarter service and fee revenue to increase by approximately \$25 million sequentially. This is driven by two factors. First, a seasonal decline in conference revenue of approximately \$10 million. This is more than offset by the impact of the fee changes we announced last quarter, which will provide an ongoing quarterly benefit to service and fee revenue of roughly \$35 million or \$140 million annually.

Moving on to Q4 transaction revenue. It was \$75 million, up \$8 million from Q3, driven by increased trading volumes. As we look ahead to Q1, trading activity levels remain roughly in line with Q4. However, I would note there are three fewer trading days in Q1, so we expect transaction revenue to decline by a few million sequentially.

Now, let's turn to our acquisition of Commonwealth. As Rich mentioned, the transaction is progressing well. We remain on track to onboard in the fourth quarter. As for the financials, accounting for current client assets and cash balances, as well as interest rates, we continue to estimate run rate EBITDA of approximately \$425 million once fully integrated.

Next, let's move on to expenses, starting with Core G&A. It was \$536 million in Q4 bringing our full-year Core G&A to \$1.852 billion below the low end of our outlook range, reflecting progress we've made driving greater efficiency and lowering our cost to serve.

For the full year, prior to the impact of Prudential, Atria, and Commonwealth, 2025 Core G&A increased by approximately 4%, our lowest level of growth in several years. In 2026, we plan to continue to invest in the business to deliver greater efficiencies and drive operating leverage as we scale.

Prior to Commonwealth, we expect Core G&A growth of 4.5% to 7%, or \$1.775 billion to \$1.820 billion. In addition, we'll have the full-year impact of expenses related to Commonwealth, which adds roughly \$380 million to \$390 million.

This brings our overall expectation for 2026 Core G&A to be in a range of \$2.155 billion to \$2.210 billion. And to give you a sense of the near-term timing of this spend, as we look ahead to Q1, we expect Core G&A to be in a range of \$540 million to \$560 million.

Next, I want to highlight a minor update to our management P&L this quarter, where we separated TA loan amortization from promotional expense. While this is not a new disclosure, we hope the updated placement allows you to more easily analyze our results.

So looking at TA loan amortization, it was \$133 million in Q4, up \$28 million sequentially, driven by Commonwealth-related transition assistance as well as our ongoing recruiting. As we look ahead to Q1, we expect TA loan amortization to increase by roughly \$5 million, primarily driven by Commonwealth.

Turning to promotional expense, it totaled \$76 million in the fourth quarter, down \$21 million sequentially, primarily driven by lower conference spend. Looking ahead to Q1, we expect promotional expense to be roughly flat sequentially.

Turning to depreciation and amortization. It was \$105 million in Q4, up \$5 million sequentially. Looking ahead to Q1, we expect depreciation and amortization to increase by \$5 million. As for interest expense, it was \$106 million in Q4, roughly flat sequentially as increased usage of the revolver was offset by lower short-term interest rates.

Regarding capital management, we ended Q4 with corporate cash of \$470 million, down \$99 million from Q3. As for our leverage ratio, it was 1.95 times at the end of Q4 near the midpoint of our target range.

Moving on to capital deployment. Our framework remains focused on allocating capital aligned with the returns we generate, investing in organic growth first and foremost, pursuing M&A where appropriate, and returning excess capital to shareholders. In Q4, we continue to deploy capital in line with our priorities investing primarily in organic growth and M&A, where we advance the Commonwealth integration and continue to allocate capital to our Liquidity & Succession solution.

Specific to share repurchases, a reminder that we paused buybacks following the announcement of the Commonwealth acquisition with a plan to revisit following the onboarding. As we look ahead, we are ahead of schedule with leverage already at the midpoint of our target range and the operational work to onboard Commonwealth well underway, there may be an opportunity to refine the timing of resuming share buybacks later this year.

In closing, we delivered another quarter of strong business and financial results. As we look forward, we remain excited about the opportunities we have to continue to drive growth, deliver operating leverage, and create long-term shareholder value.

With that, operator, please open the call for questions.

## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Steven Chubak, Wolfe Research.

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### Steven Chubak - Wolfe Research LLC - Equity Analyst

Hi. Good afternoon, Richard and Matt. Thanks for taking my questions, or one question. So I did want to ask on Commonwealth retention. There's been a fair amount of press coverage in recent weeks suggesting their attention was running well below that 90% target. So certainly pleased to see the 90% target reaffirmed. Was hoping you could speak to what gives you confidence that you could still achieve that 90% asset retention figure.

And just given the near record recruiting pipeline that you cited, just speak to some of the actions that you're planning on taking to get core recruiting ex-Commonwealth back on track.

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### Richard Steinmeier - LPL Financial Holdings Inc - Chief Executive Officer, Director

You want to start?

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### Matthew Audette - LPL Financial Holdings Inc - President, Chief Financial Officer

Yeah, I'll start with the retention, Steven. I think when you look at retention, right, and it's based on assets. The assets we expect to land on our platform after the onboarding in Q4, and that's our methodology. We consistently do that on our acquisitions.

So I think when you and others that are speaking here that are reading headlines about headcount departures, just to give you a little color on that, when you look at the advisors who have signed to stay with LPL so far, we're now just over 80%. And you look at those, on average, they are larger, they are faster growing, and they are higher producers than those that have decided to go elsewhere.

So I think when you get some noise when you look at those headcount departures, when you look at the advisors that have committed to stay with LPL, with Commonwealth, it is an impressive group, and we are really excited to welcome them on the platform as we on board in the fourth quarter.

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### Richard Steinmeier - LPL Financial Holdings Inc - Chief Executive Officer, Director

So maybe just augment that just briefly, as Matt I think made it very clear on the asset retention and that we're retaining the larger advisors. I think there are still advisors who are making their decisions over the course of the balance of the next couple of months, maybe even through the next couple of quarters. And we are deeply connected between Commonwealth and LPL to help educate them on the continuing of value proposition of Commonwealth.

And we are very confident that by keeping the community intact, safeguarding their experience, their culture, their capabilities, and their leadership, that will ultimately win the day. And quite honestly, those are the conversations that we're having as folks have gone through a very elongated due diligence process. They're coming back to having much more productive conversations now than we were even having at the beginning.

And so maybe parting shot on that, Steven, overall, we are thrilled with this transaction. We love the way the teams are coming together. We are excited about the prospects for our go-to-market strategy and the integrated firm.

Now, you mentioned, and maybe one last thing, I will mention that, as Matt said, last quarter, we updated you that we had advisors representing nearly 80% of assets have signed their agreements to stay with Commonwealth. And as of today, that has improved to the low-80% range of advisors representing low-80% range of assets have signed agreements to stay with Commonwealth.

As for achieving, getting back on track, and recruiting, I think it needs to be noted that many of our top recruiters have been focused on Commonwealth retention efforts. And as we approach the conversion, with more Commonwealth advisors completing their diligence assigned, our recruiters are getting back to their organic recruiting efforts.

So looking ahead, we should gradually return to more normalized recruiting outcomes driven by increased win rates in traditional markets with our unmatched value proposition, further penetrating the wire and regional employee advisor space where there was growing awareness of our solution, and we continue to narrow the gap on capabilities.

And of note there, over the last couple of years, we have grown our capture of wire house and regional employee advisors from 9% of all advisors in motion to now up above 11% of all advisors in motion. And augmenting that, our Liquidity & Succession solutions create an important part of the value proposition for new advisors join so they'll have an option when they're ready to transition their business.

If you couple that with low attrition and steady contribution from same-store sales, it sets us up really well to sustain mid- to high-single-digit growth over the long term.

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**Steven Chubak** - *Wolfe Research LLC - Equity Analyst*

Well said. Thanks so much for taking my question.

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**Operator**

Alexander Blostein, Goldman Sachs.

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**Alexander Blostein** - *Goldman Sachs Group Inc - Analyst*

Hey, good afternoon. Thanks for the question as well. Maybe building on that a little bit, Matt, I heard you reaffirm your EBITDA contribution of \$425 million once everything is onboarded. Maybe help unpack that a little bit because given just the assets have grown, due to market largely and you're still on track to 90% and you highlighted you're running I guess in the low-80s now. Why isn't the \$425 million higher? Are there other puts and takes we need to consider, or you guys are just looking to revisit that once the assets are fully onboarded? I just want to kind of better understand the mark to market impact and all of that.

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**Matthew Audette** - *LPL Financial Holdings Inc - President, Chief Financial Officer*

Yeah, you've got assets have gone up a bit, Alex, but you've also got another interest rate cut. And when you look at the cash sweep at Commonwealth that built up in December, that's already gone back into the marketplace. So those things kind of net offset each other, and that's why we're still at roughly \$425 million.

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**Alexander Blostein** - *Goldman Sachs Group Inc - Analyst*

Understood. Okay, thanks.

**Operator**

Dan Fannon, Jefferies.

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**Daniel Fannon - Jefferies LLC - Equity Analyst**

Thanks. So wanted to follow up just on the growth outlook. And Rich, you had mentioned reigniting the growth engine at LPL. So is it just time and the timing of this in terms of getting back to regular recruiting, or can you talk to the industry dynamics and advisors in motion and kind of the recruiting backlog today versus where it maybe was a year ago and just kind of thinking more about the acceleration, whether that could be more of a first half dynamic or you think it's really closer towards that onboarding of the Commonwealth assets?

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**Richard Steinmeier - LPL Financial Holdings Inc - Chief Executive Officer, Director**

Yeah. I appreciate it, Dan. There's a lot in there. So maybe let's start with the recruiting environment first. I will tell you, we pay very close attention to the advisors in motion. And relative to historic norms, we still see that advisor movement remains tempered relative to historic levels.

Now look, truth there is that there are events in the marketplace that can drive that churn to higher levels, and that one right now is probably the acquisition of Commonwealth. And so we're participating there, obviously, dedicating recruiters. A recruiting event where you're trying to educate 3,000 advisors is a very large event for us. And so we dedicated and ring-fenced a set of our most sophisticated and most senior recruiters in working against that.

As I alluded to and as you referenced, as we get more signs and you mentioned where we're at, those recruiters get the chance to pivot back to the organic recruiting pipeline. But as I noted earlier, when you start building those pipelines, you're going to build into the earlier stages as you think about a stage progression pipeline.

And so while our pipelines continue to build through Q4 and they are near record levels, they're loaded towards that early and mid-stages. And so that takes time. And we've alluded to on calls in the past, you get different durations of how long a cycle time is for a recruiting event. And they vary from independent advisor 1099 direct to our supported models in Strategic Wealth, and Linsco have longer lead times.

And so when that will pull through is a function of the mix of those advisors and how they get through their diligence and decision-making. But we expect that pull through to continue to improve over the course of the year.

And maybe if we think about the environment that we're in, I think you've heard it on some of the other calls as well. It's a competitive environment right now. Competitors remain aggressive. We've seen TA levels spike up, most notably right after the Commonwealth announcement. And we see those TA levels staying elevated in the marketplace. So typically, in the wake of several interest cuts, we would have expected some moderation in TA, and that really hasn't happened.

Rates have remained high in absolute terms. And so from our perspective, nothing about our approach has changed. We stayed disciplined on returns, with TA being part of the conversation, but really not the driver of decisions.

And as a reminder, advisors in motion's priorities continue to be: one, capabilities, technology, service, culture; two, ongoing economics; and then third, upfront economics. So as you put that all together, I think as recruiting activity normalizes, we'd expect organic growth to pick up as those pipelines convert positioning us to reignite and sustain industry leading organic growth over time.

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**Daniel Fannon - Jefferies LLC - Equity Analyst**

Great. Thank you.

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**Operator**

Craig Siegenthaler, Bank of America.

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**Craig Siegenthaler** - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Thanks. Good evening, everyone. My question is on footnote 15 from the historical file. You disclosed purchase money market funds there, and it looks like they might be finally at a ceiling. So I'm wondering, do you expect liquidity to start to run there with a few more Fed cuts? And where does that go? Is there an opportunity to generate more ROA on that, maybe in ALTS, insurance, and probably eventually back in the cash sweep?

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**Matthew Audette** - *LPL Financial Holdings Inc - President, Chief Financial Officer*

Kudos, Craig, on the detailed historical file there.

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**Richard Steinmeier** - *LPL Financial Holdings Inc - Chief Executive Officer, Director*

I thought he would have called on historical footnote 14.

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**Matthew Audette** - *LPL Financial Holdings Inc - President, Chief Financial Officer*

Yeah, we'll cover that when we come out, but I think it's a good point.

Yeah, there you go. So what you're hitting on is the cash equivalents and how much money they're in either purchase money markets or short-term bond funds and treasuries. And I think we saw those build throughout this cycle. Those balances collectively are in excess, so purchased money market plus those other categories, treasuries, short-term bond funds, in excess of cash sweep balances overall.

And I think as the rate environment comes down, as you see those things advisors get their clients back in the marketplace. I think it's very natural that those are the types of funds that will go back into place.

So there's more than just purchased money markets in that category, but I think it gives you a good sentiment on where advisors are putting their clients as cash yields come down and the equity markets and other opportunities, even on the brokerage side, like annuities and things are opportunistic. So I think that's what you see driving the movements there.

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**Operator**

Michael Cho, JPMorgan.

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**Michael Cho** - *JPMorgan Chase & Co - Analyst*

Hey, good evening, Rich, Matt. Thanks for taking my question here. I just wanted to touch on Commonwealth as well, just more from an, I guess, an integration perspective. I mean, you closed the deal maybe four or five months ago. I was wondering, can you just talk through the progress of integration and preparing for the onboarding ahead? And any key takeaways you'd highlight or anything that might influence priorities for the broader LPL organization looking ahead? Thanks.

**Richard Steinmeier** - *LPL Financial Holdings Inc - Chief Executive Officer, Director*

Yeah, thanks, Michael. It's good to have you. So integration is going really well. And I would note here, one of the things that over the last five to seven years, we have done a lot of major integration events. If you think through M&T, BMO, TruStage, Waddell & Reed, Atria, there's a number of large events that we've gone through and Prudential that have critical builds across, in many of those instances, above \$100 million in dev, sometimes above \$200 million in dev.

And so as we look into Commonwealth, we have scoped -- before we went into this transaction, we had scoped all of the capabilities that we needed to build that would benefit not only Commonwealth advisors as they come onto the platform, but all of our advisors and institutions.

The scoping of that work is completed. We have our model built. We've begun dev already. And some of the complexity of the dev there is what actually drove an elongated timeframe for the conversion. We're feeling really good about our ability to deliver against that capability development and for our advisors to experience it.

And I think we've referenced some of this before, but I mean, Commonwealth is exceptional in the delivery of their service experience. And some of that is, a large part of that is informed by the way they receive feedback. That is a difference from the way our construction of our workstation was set up. And so we're building an incredibly robust feedback ingestion engine that allows us to actually get feedback from advisors, prioritize that, disposition it to folks to work on that, and then execute against that, making it a frictionless environment kind of one day at a time.

One of the other things they have is a fantastic single relationship agreement across multiple account structures that we've had to go through a pretty significant build, and we're in the middle of that build to build that which will be benefited by all of our advisors.

And so there is a list, and that includes householding, repricing, restructuring the pricing construct of some of our advisory platforms as well. So we have a good understanding of the build that's there. We have a great understanding of the capabilities that will be delivered. And now part of that is now moving into the definition of that target state operating model, which I alluded to earlier.

We are in the middle of the articulation of that target state operating model, working deeply with Wayne Bloom and his team to make sure that we are keeping Commonwealth, Commonwealth, that we are keeping the folks who serve the Commonwealth advisors the same people, and giving them tools and capabilities to deliver the exceptional service that has resulted in 12 consecutive J.D. Power Awards for Independent Advisor Satisfaction, a record in the industry. Thought is that we build those capabilities so that they can keep going to number 13 and 14 and 15. And while they do that, we increase our ability to serve with distinction, just like Commonwealth does today.

So all of that taken together, we feel really good about our understanding of what needs to be done. We feel good about our ability to execute and deliver. And we feel great about the combined value proposition that will result from the two firms.

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**Michael Cho** - *JPMorgan Chase & Co - Analyst*

Great. Thanks, Rich.

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**Operator**

Ben Budish, Barclays.

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**Benjamin Budish** - *Barclays Services Corp - Analyst*

Hi, good evening, and thank you for taking the question. I think earlier in the Q&A, Rich, you were talking about an increased win rate of advisors in motion coming from the wires. Just curious if you could unpack a little bit more what's going on there. It seems like both media

coverage and commentary from some of the bigger banks is that they're looking to get more aggressive, whether it's on recruiting, TA packages, whatever it may be. So what do you attribute to the recent success? How important do you see some of the pieces that are being built out in securities-backed lending and the ALTS platform and things like that that are expected to be in place by the end of the year as improving that position?

And again, you talked about competition broadly, but how would you describe the state of competition with that group of competitors specifically? Thank you.

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**Richard Steinmeier** - *LPL Financial Holdings Inc - Chief Executive Officer, Director*

Yeah. Thanks, Ben. So if we go back, what underpins that movement of us improving our capture rates in that wire and regional employee channel. The first is that on balance, you've got a macro tailwind there for you.

We've seen a crossover that as advisors move out of wires and W-2 channels more broadly, historically, it had been that they moved from one W-2 channel -- one W-2 firm to another W-2 firm. What you've seen is increasingly year in and year out the percentage of advisors that are in a W-2 channel when they're making a move that has crossed the threshold of more than 50% of advisors that are in W-2 channels making a move actually move to an independent construct. For us, we are the leading player for folks who want to run their own independent business because we have multiple affiliation models.

The second stage in our journey was that we introduced affiliation models several years ago that made it more attractive for folks who are in a W-2 construct to move to independence with support on their side. That was the theory to the case in the construction of our Strategic Wealth offering that helps 1099 advisors set up, move, and have a support mechanism around them with incredible support, as well as our W-2 channel introduction, Linsco.

Now, beyond that, what we had was, and we referenced this kind of pretty consistently in the quarters, is we still had some capability gaps relative to product set, lending, and some high net worth capabilities. And we are steadily knocking those down one at a time, and our consideration rate continues to go up.

So what we find is that advisors are increasingly willing to get into conversations with us, and they may be getting there because of the Linsco channel, they may be getting there because of Strategic Wealth, and ultimately, they'll land across the gamut of either establishing their own RIA, which we support, in our own independent employee W-2 channel, in a supported independence channel, or in a direct 1099 affiliation on our corporate RIA. So we have more affiliation landing spots than any other firm.

And maybe lastly, to leg into that, we have added a national brand campaign that highlights and makes more clear to end investors, and we've seen an improvement of aided and unaided brand awareness, both of our firm, for both end investors as well as advisors.

Lastly, Commonwealth is a very validating event to our position in the marketplace. They are a premium brand, they have premium capabilities, and they have the best advisors in the industry. The leadership of that firm chose us as the best firm to support those advisors, and that made more W-2 advisors stand up and take notice of this firm as a leading firm in wealth management.

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**Benjamin Budish** - *Barclays Services Corp - Analyst*

All right. That was very comprehensive. Thank you, Rich.

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**Operator**

Brennan Hawken, BMO Capital Markets.

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**Brennan Hawken** - *Bank of Montreal - Analyst*

Good afternoon, Rich and Matt. Thank you for taking my question. It's sort of a two-parter here. So I know that Commonwealth is in focus. You spoke to allocating your best recruiters to task. And of course, it takes time for net new asset pipelines to rebuild. So how long do you think it would take to start to see regular way net new assets revert to the rates that are more in line with your strong track record of growth?

And then do you think it's possible we could get maybe a mark-to-market on how net new assets are progressing here to start out the year and maybe an update on cash balances?

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**Matthew Audette** - *LPL Financial Holdings Inc - President, Chief Financial Officer*

Yeah. I'll start, Brennan. I'll start with how January is going so far. We look at maybe to start with organic growth. And I think as I mentioned in the prepared remarks, and I think you know well, January is usually one of the slowest months of organic growth for the year for two factors or two reasons. The year-end slowdown that you see in December, second half of December, there's really no recruiting that could come on board. And then it takes a couple weeks into January to ramp up both recruiting, same store, et cetera. So January is usually pretty low, and then as you move into February and March, it builds.

And then you also have advisory fees that hit primarily in the first month of the quarter, and as we're getting bigger and bigger on the advisory side, 58%, 59%-ish advisory now, that's a bigger number that hits in the first quarter. You put all that together, and we're around 2.5% organic growth in January, again, with the expectation that then February and March builds.

On the cash sweep side, I'd say there's a couple days remaining, but I'd give you the headline that January is shaping up a bit better than you would typically see. You do have that same seasonal on advisory fees, which are around \$2.5 billion, so that comes out of cash directly during the month.

But outside of that, the Q4 buildup that we saw largely in December largely remains. So cash balances beyond fees are down roughly \$1 billion. So you put all that together and balances are down around \$3.5 billion, which would put overall cash sweep at roughly \$57.5 billion.

And just to give context, if you look at that Q4 bill that largely happened or almost entirely happened in December, we're sitting right now \$3 billion above November levels. So hopefully, that gives you a sense as to kind of how sticky the cash has been this year as opposed to prior years.

Maybe Rich, I'll give it back to you on the timing of organic growth question.

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**Richard Steinmeier** - *LPL Financial Holdings Inc - Chief Executive Officer, Director*

Yeah. So I think, Brendan, the way to think about this is, as we alluded to, we sit in the low-80s in terms of AUM assets that are committed to join. That's not a complete proxy, as Matt had alluded to, for the actual number of advisors based on the fact that we have larger advisors joining. But what you'd see there is, as we started in April, we had a real shift of our recruiters into that event, and we are now moving towards the tail end of that event.

The issue that you have at hand is that the lead times for recruiting for an independent advisor going from one firm to the next usually sit between three to six months. And so once you enter pipeline, you can think about that as the timeframe for most center of gravity decisions to make to move from firm to firm.

But as you get into larger advisors, especially as they're considering supported models like Linsco, if they're establishing their own RIA as well, or our Strategic Wealth, you're oftentimes with those larger teams looking at pipeline decision-making to conversion that sits center of gravity between six months to a year. So it really does depend on the mix makeup of what we have in pipeline.

As we alluded, we've seen really nice pipeline build, especially into the first couple stages of our pipeline. And what it takes is a little bit of time, especially with those seasoned recruiters, to progress those through the pipeline. So as we alluded to, it's going to occur during the course of this year, and I'm probably giving an answer that is more precise than that at this moment in time. I probably can't do that.

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**Brennan Hawken** - *Bank of Montreal - Analyst*

Got it. Thanks for taking my question.

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**Operator**

Devin Ryan, Citizens Bank.

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**Devin Ryan** - *Citizens JMP Securities LLC - Analyst*

Hi, great. Hi, Rich. Hi, Matt. I want to shift to the enterprise channel and Prudential specifically now that we're a little bit over a year past that integration and just would love to dig in a little bit more around some of the learnings. I'm sure you have a lot more data today on how that's going, so it would just be great if you could give any proof points to us on how it's going, what type of acceleration and growth, are you -- are they seeing. And then just how it sets you up for maybe more in the insurance channel. I'm curious if you're seeing interest from other parties as these maybe positive anecdotes start to make their way to the market. Thanks.

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**Richard Steinmeier** - *LPL Financial Holdings Inc - Chief Executive Officer, Director*

Yeah, thanks, Devin. So just as a reminder, we brought on Pru in 2024 in November, where they added about \$67 billion in assets. And we knew as we were in discussions. Pru has a fantastic wealth franchise and they were always bullish on their outlook for the wealth management business, and they were looking for ways to further advance the business.

We got into that partnership, and we had quite a bit of build -- to build in terms of the capability sets. And as we built those capability sets it positions us well to be able to work with other insurance firms and/or product manufacturers. But I actually do have the ability to be a little bit outspoken here, mostly because we would never break news for our partners.

But in the fourth quarter, Prudential announced that their advisor headcount growth had accelerated 9% year to date, and they had roughly \$3 billion in NNA. And that was in the fourth quarter, not the completion of the fourth quarter. And I can tell you, I was with them over the holidays. They are incredibly bullish on their franchise. They have a fantastic sales infrastructure. Their leadership structure is very strong. They develop new advisors really well, and their backlog of other insurance-based advisors looking at Prudential continues to grow. We have had really great results as we partner with them in recruiting to their franchise.

In terms of our pipeline, I think this is where you get, I mentioned this a couple of times before, a signature event and a signature partnership. I would call this very akin to our M&T Bank where M&T plowed and took a leap of faith with us to plow into new territory of a larger bank wealth outsourcing that really moved from why are you doing that to why aren't you doing that.

And I think those are the discussions we're beginning to get into, but I think there just needs to be a recognition. We have a recognition that other firms, there's some trepidation to get into those conversations because Prudential really broke the mold in how they partnered with us.

I think I can speak pretty clearly for them when we both are incredibly happy about the results and think that their franchise is very strong and positions them incredibly externally. I'm so proud of being able to be a partner of Pru, and we're looking forward to having further conversations with, I think a number of firms have begun exploratory conversations, but more progressed conversations.

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**Devin Ryan** - *Citizens JMP Securities LLC - Analyst*

All right. Great, thank you.

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**Operator**

Bill Katz, TD Cowen.

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**Bill Katz** - *Cowen and Company LLC - Analyst*

Great. Thank you very much, and happy anniversary since no one else has said that.

Just a couple maybe interconnected questions. Matt, you alluded to possibility of accelerating the sort of capital deployment that you're running a little bit ahead on in terms of operationally and your leverage ratios. Can you give us a sense of what mileposts we should be looking at to potentially think about maybe starting to reincorporate capital return?

And then just on the interest rate management side of the equation, you're sort of running at the lower end of your fixed afloat. How are you thinking about that shape as you look into the new year given the forward curves are relatively stable from here? Thank you.

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**Richard Steinmeier** - *LPL Financial Holdings Inc - Chief Executive Officer, Director*

Yeah. What anniversary, Bill? I know what he's talking about. First of all, he's super generous. That's a very thoughtful person. We always knew that about Bill, but appreciate it, Bill. He thinks that this is a one-year anniversary of my first earnings call, I think, but it was actually Q3, a couple of weeks after. Was that it, Bill?

They muted him. Oh, look at you. Super thoughtful.

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**Matthew Audette** - *LPL Financial Holdings Inc - President, Chief Financial Officer*

Well, very good, Bill. All right, so on your two-part question, so I think on share repurchases, I think in just a level set on our expectations initially when we announced the acquisition of Commonwealth, it was about making sure that we got our leverage back down to 2 times and at that point we would revisit capital returns.

And given the timing of Commonwealth onboarding, in Q4, that implied we'd look at it in Q4. And I think, as we've talked about today, being ahead of plans on the leveraging side, which is good, in the Commonwealth onboarding, while the timeline hasn't changed, the prep is going well. I think I would take this as we're looking at whether we can start those share repurchases earlier. I would range that and say maybe a quarter earlier is what we're thinking. But I would just underscore we've still got some work to do to really refine that. And we'll give an update in a future quarter. But I think just given where leverage is, I wanted to at least give an indication as to where our thinking was.

With respect to the second part of your question on fixed-rate sweep, no change in plan and approach there. It really is about that year-end build that you see in Q4. That's really what drove that down. As the stability of those cash balances really lands in this quarter, and as I talked about for January so far, it's being a little bit stickier than it has in prior years.

Then we'll kind of move into the fixed rate market, typically landing in that low- to mid-60% where we typically are. So that would be the plans for Q1. That being in that 55% zone or mid- to upper-50% zone is really about just the year-end buildup in December.

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**Bill Katz** - Cowen and Company LLC - Analyst

Thank you, both.

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**Operator**

Michael Cyprys, Morgan Stanley.

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**Michael Cyprys** - Morgan Stanley - Analyst

Hey, good afternoon. Thanks for taking the question. I just wanted to ask around Core G&A. I think that your guide implies underlying Core G&A growth of 4.5% to 7%, which is a bit of an acceleration from the underlying 4%. You put up at 25%. So just hoping you could elaborate on what's driving that acceleration into '26, maybe speak to some of the areas you're investing in across '26 here. And maybe if you could also just update us on some of the initiatives that you have across expanding technology capabilities, broadening out the platform for advisors, just what are your priorities here at '26 around that? Thank you.

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**Matthew Audette** - LPL Financial Holdings Inc - President, Chief Financial Officer

Yeah, you bet. I think just to build a little bit of context on or reflect a little bit on 2025. Because our initial outlook for 2025 was 6% to 8%. And even that range, if you look back at the last four or five years, would have been the lowest growth rate.

And to the premise or the point of your question, we ended up landing much lower than that at 4%, which has that next year's guide, 4.5% to 7%, be a little bit of an increase. But I'd underscore that that is about what we're able to deliver in 2025. That is the lowest growth rate in quite some time. And it really was driven by the cost efficiency work that we were able to deploy and things that are recurring savings and structural improvements to how we operate.

And I think getting to your question on 2026 and at 4.5% to 7%, I think we're focused on doing a lot of the same, but I would say balancing, making sure we're continuing to drive investments or make investments that really improve our offering and drive growth and at the same time continuing to make additional investments that can really drive efficiency and scale in the business.

I think we're in the early stages of the opportunity set we have to make investments that not only allow us to scale better but also improve the client experience. And I think what you see in that range of, even if you look at the midpoint of the range, that still would be one of our lowest growth rates in quite some time. And I think what it reflects is the opportunities that we have to really drive that growth.

And I think even when you look at the range, it is a little bit wider than we typically do, 4.5% to 7%, so 2.5 points versus 2. And that's also just reflected of the number of initiatives that we have from an automation standpoint, from an AI standpoint.

And the precision with which you can predict when those hit, right? Those things could shift out something that's going to come in Q2. Maybe it comes in Q3. That could impact the current year a little bit. But I would just underscore our confidence from a run rate standpoint of the opportunities that we have in front of us to continue to drive efficiencies that improve the bottom line but also improve our client experience.

It's a long list. We're excited about it. And I think that's what you see reflected in that guide.

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**Operator**

Jeff Schmitt, William Blair.

**Jeff Schmitt** - *William Blair Capital Partners - Equity Analyst*

Hi, good afternoon. For the Liquidity & Succession solution, and I think you spent a little over \$50 million in the quarter, how do the returns on that look compared to traditional M&A and recruiting? I mean, are the multiples a lot lower in M&A? I know recruiting, you've kind of pointed to that being maybe three, maybe four times in this environment. So where does that sort of shake out?

**Matthew Audette** - *LPL Financial Holdings Inc - President, Chief Financial Officer*

Yeah. Jeff, on L&S, from our target M&A range that we typically operate in, is that 6 to 8 times. And L&S operates right in that range.

But I think a couple things that I think are a little bit different when you think about L&S, not only the quality of earnings, the economics that you're acquiring for 6 to 8 times in L&S, is 100% recurring non-cash sweep earnings. So there's a higher quality there.

And then I think that the strategic benefits of just really, when you think about the life cycle of something that goes through L&S from acquiring it to helping transition to the next generation, helping them get to a place where they've grown and earned back the ability to buy back that practice, and during that entire time working with them in our Linsco model to really position them to really use us as a leverage point on nearly everything except for focusing on their clients and being able to grow them.

When you just think about the practice in any L&S opportunity, the practice we acquired versus once it is now fully in the hands of the next generation, they're set up to be more efficient, faster-growing, and a higher-quality advisor practice as well.

So there's a lot of benefits that just go beyond the pure economics, but to underscore the economics, it's the same range 6 to 8 times, but it's a higher quality earnings, because that's 100% non-cash sweep economics that you're acquiring.

**Jeff Schmitt** - *William Blair Capital Partners - Equity Analyst*

Okay, great. Thank you.

**Operator**

Wilma Burdis, Raymond James.

**Wilma Burdis** - *Raymond James - Analyst*

Hey, good evening. Do you think there's some level of short-term interest rates where we'll start to see more cash build? And if so, are we starting to approach that level?

And maybe you could just talk a little bit about the rate cuts in 4Q '25 and how that may or may not have contributed to some build in the quarter. Thanks.

**Matthew Audette** - *LPL Financial Holdings Inc - President, Chief Financial Officer*

Yeah, I think when you look at cash balances, and I think we have been-- when you think about the operational nature of them, and we're just looking at the fourth quarter, in that build that you typically see and you saw in December.

Kind of putting those dynamics aside, when you look at the average balances per account, they've been quite stable for quite some time, rounding to about \$5,000, which I think when you think about the cash necessary to manage an account, we've really reached those levels. I think that's why you saw that bigger-than-typical build in the month of December.

So to get to your point, I think when we look ahead, as rates come down and kind of where do we think cash sweep is going, I think there is a bias to being stable to up, just given it's at the levels that are really necessary to manage the account. We've seen that stability for a few quarters, last couple quarters, that average balance per account's actually grown.

So I think that's the dynamic there. The individual rate cut or two in the quarter, Wilma, I don't think that typically would really drive that. I think what moved cash balances in the quarter is that seasonal build for rebalancing and tax loss harvesting and things like that.

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**Wilma Burdis** - *Raymond James - Analyst*

Thank you.

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**Operator**

Thank you. This does conclude the question-and-answer session of today's program. I'd like to hand the program back to Rich Steinmeier for any further remarks.

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**Richard Steinmeier** - *LPL Financial Holdings Inc - Chief Executive Officer, Director*

Thank you, all, for joining us. We look forward to speaking with you again in April. Have a good night.

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**Operator**

Thank you, ladies and gentlemen, for your participation in today's conference. This does conclude the program. You may now disconnect. Good day.

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