



LPL Financial Services

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Agenda

- Independent Advisor Market Segment
- LPL Financial Services Overview
- Industry Challenges
- LPL and Jackson National

Financial Advisors by Channel

2004 Year End

<u>Rank</u>	<u>Channel</u>	<u>Number of Advisors</u>
1	Independent Broker / Dealers	106,688
2	Wirehouse	70,805
3	Insurance	49,795
4	RIA	38,068
5	Bank	18,280
6	Regional	16,342
Total		299,978

Source: Cerulli Associates - Intermediate Markets report

Industry Overview

- Positive industry trends include industry consolidation, growth in the independent business model, and increasing asset investment
- With 300,000 financial advisors in the United States, the broker/dealer industry remains highly fragmented, with the largest, Merrill Lynch, representing less than 5% of all advisors
- Comprised of over 106,000 advisors, independent contractors represent 35% of the overall financial advisor market
- In the last ten years, U.S. household financial assets under professional management have more than doubled, from \$7 trillion to \$15 trillion

Sources: Cerulli and Federal Reserve

2004 Year End Brokerage Industry Rankings

<u>Rank</u>	<u>Firm</u>	<u>Total Advisors</u>
1	Merrill Lynch & Co	13,320
2	Salomon Smith Barney	12,100
3	AEGON	11,000
4	Morgan Stanley	10,962
5	American Express Financial Advisors	10,741
6	Wachovia/Prudential	10,519
7	Edward Jones	9,493
8	ING Advisors Network*	8,725
9	UBS Financial Services, Inc	7,519
10	AG Edwards & Sons	6,892
11	AIG Advisors Group*	6,412
12	MetLife Securities	6,150
13	NYLIFE Securities	6,037
14	AXA/Equitable	6,000
15	LPL Financial Services	5,825

Source: Cerulli Associates - Intermediate Markets report

* Includes subsidiary broker / dealers

2004 Independent B/D Rankings

<u>Rank</u>	<u>Firm</u>	<u>2004 Revenue</u>	<u>Producing Advisors</u>
1	LPL Financial Services	\$1,137	5,825
2	AIG Advisor Group*	\$869	5,717
3	Raymond James Fin Services	\$790	3,506
4	ING Network*	\$563	5,286
5	Lincoln Financial Advisors	\$562	2,390
6	National Planning Holdings*	\$407	2,786
7	Northwestern Mutual	\$318	5,824

Source: Financial Planning June 2005

* Includes subsidiary broker / dealers

Variable Annuity Sales by Channel

Q2 2005 YTD

<u>Channel</u>	<u>Market Share*</u>
Captive Agency	36%
Independent NASD Firms	30%
Banks and Credit Unions	13%
Wirehouses	10%
Regional Investment Firms	10%
Direct Response	1%

* Total sales through Q2 YTD are approximately \$64.5 billion

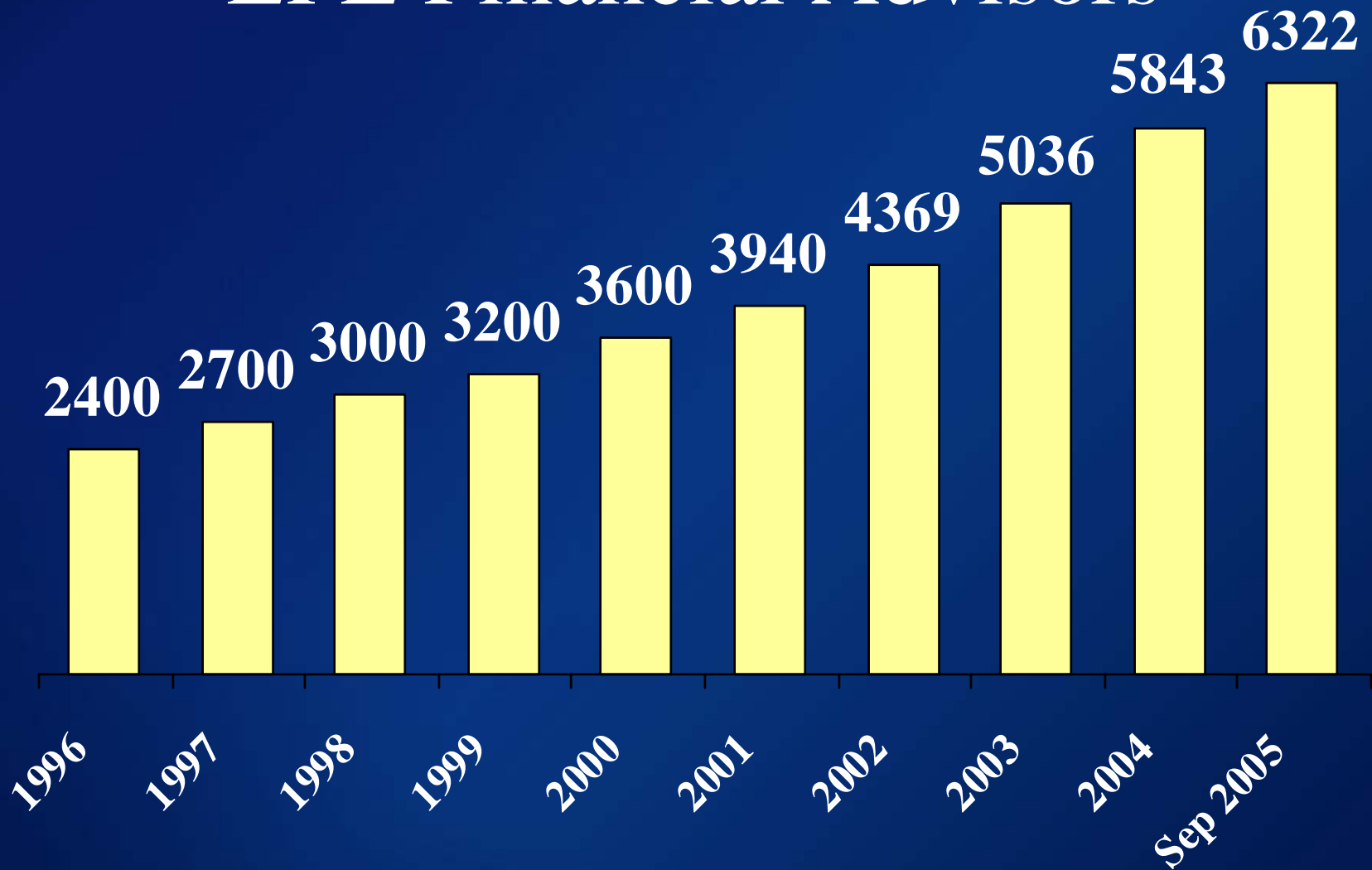
LPL Overview

- LPL is a privately held brokerage firm and registered investment advisor, specializing in the service and support of a national network of financial advisors and financial institutions
- LPL provides advisors with access to a wide selection of financial products, including full-service stock and bond trading, mutual funds, fixed and variable annuities, managed accounts and life insurance
- With quality research and strong home office support, advisors have the ability to develop a greater understanding of the economy and markets; more time to evaluate financial strategies; and greater access to information
- LPL offers no investment products of its own, so LPL advisors can devote their time and energies not to product quotas and sales goals, but to understanding individual financial objectives
- To help them meet client needs with suitable options, LPL forms alliances with the nation's leading providers of investment and insurance products

LPL Through September 2005

- Network of over 6,300 independent advisors and dedicated service to approximately 389 financial institutions
- Leading distributor of mutual funds, variable annuities, life insurance and managed accounts
- 23% average growth rate of revenues from 1992 through 2004
- \$95 billion in custodied assets, including over \$35 billion in managed account programs
- Outpaced competitors in revenue and new financial advisor growth

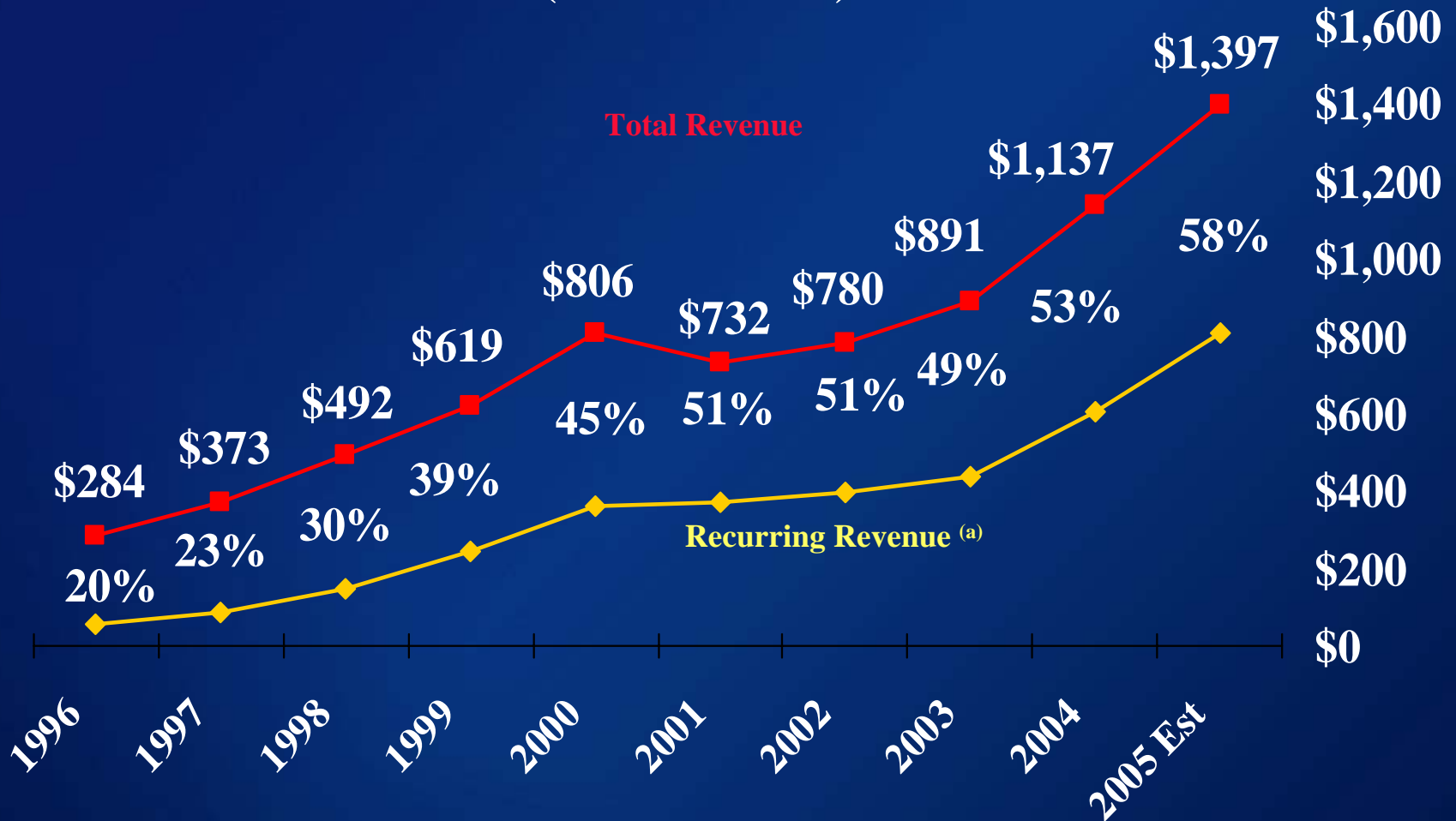
LPL Financial Advisors



- A LPL advisor typically has 16 years experience and LPL is their third firm
- The median age of a LPL advisor is 46

LPL Total Revenue

(\$ millions)



(a) Recurring revenue includes: trails, advisory fees, asset-based fees, service fees, and margin interest

LPL Product Sales

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>July YTD</u> <u>2005 (b)</u>
Load Mutual Funds (\$ in B)	\$4.2	\$5.1	\$5.7	\$6.3
Annuities (\$ in B)	\$3.1	\$3.8	\$4.3	\$4.9
Managed Accounts (\$ in B)	\$5.8	\$6.7	\$10.5	\$12.3
Life (\$ in mm) (a)	\$203	\$169	\$218	\$218
Alternative (\$ in mm)	\$352	\$611	\$627	\$741

(a) Life insurance results are estimates and include fixed and variable life insurance and target and excess premium

(b) Annualized based on July 2005 YTD results

LPL Summary

- For the tenth consecutive year, LPL Financial Services has been named the #1 independent broker dealer in the U.S. by *Financial Planning Magazine*, based on total revenues
- Strong national network of financial advisors

Keys to Success:

1. Independent Research to deliver non-proprietary “best of breed” platforms and services
2. Solid infrastructure and support
3. Focus on the needs of the financial advisor
4. Training- in person, on the phone, on the web

Industry Challenges: The Distributor Perspective

- 1) Responding to dynamic regulatory environment
- 2) Keeping up with new product development
- 3) More complex due diligence
- 4) Continue to focus on client benefits

Industry Challenges: The Product Provider Perspective

- 1) Bullets 1, 2 and 3 from Distributor Perspective
- 2) Different channels require different sales and marketing support
- 3) Flexible technology infrastructure to accommodate product development
- 4) Rational product pricing – the importance of ratings

LPL and Jackson National

- 2005 variable annuity sales are up 100% versus 2004 - #8 in the LPL system
- 2005 fixed annuity sales are up 90% versus 2004 - #6 in the LPL system
- Drivers of growth:
 - Focused wholesaling strategy
 - Participation in all LPL training, including the National Conference and Fast Forward
 - Flexible product design to meet client needs