MIT AGELAB Life Tomorrow

PLAN
Preparing for Longevity Advisory Network

MIT AgeLab
PLAN Webinar Series
May 2022

Thriving or surviving? Key indicators of financial advisors' health and well-being

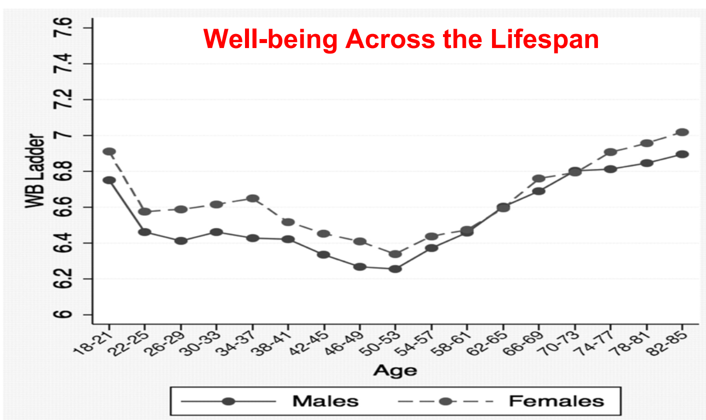
The MIT AgeLab hosted its fourth 2022 webinar for panelists and corporate members of the Preparing for Longevity Advisory Network (PLAN). The webinar, titled "Thriving or Surviving? Key Indicators of Financial Advisors' Health and Well-being," featured a presentation from AgeLab Director Dr. Joseph Coughlin and researcher Dr. Julie Miller on the professional well-being of advisors and key trends in the industry. Advisors also shared their perspectives and participated in polls on their own professional well-being.

An overview of well-being and the evolving advisor profession

Julie Miller began the presentation with an overview of the topic. Well-being is complex, comprised of physical, emotional, financial, social, and community components. She also discussed how recent world events have reduced Americans' reported well-being.

Joseph Coughlin then presented data about well-being changes across the lifespan. People tend to experience the lowest sense of well-being during middle-age – approximately ages 38-57 – which is the age of the bulk of financial services professionals. Further, studies have shown that financial advising is the third-most stressful profession – only preceded by air traffic controllers and litigators. Dr. Coughlin called attention to how professionals in each of these careers need to be responsive to changing environments. For advisors, volatile circumstances such as inflation and market changes may have an impact on their stress and well-being.

Dr. Coughlin recounted insights from conversations with financial service industry professionals about higher-level changes to the industry. Advisors need to accommodate evolving client expectations and preferences; for example, some clients are looking for their advisors to lead new types of conversations, utilize new technologies, and hold new credentials and specializations. Advisors also increasingly need to deal with new regulations and firm rules, fee compression, and challenges with profitability.



Sponsor perspectives: Organizational trends in well-being

Amanda Stahl, Director of Longevity Planning at Raymond James, and Angie O'Leary, Head of Wealth Planning at RBC Wealth Management, shared some insights on how well-being is coming up within their organizations.

Ms. Stahl and Ms. O'Leary discussed benefits that employees find particularly valuable. Raymond James, for example, offers a "healthcare concierge service," which helps employees find doctors and specialists for themselves. The service is also offered to clients and has been "a lot of help for quite a few colleagues," Ms. Stahl said. RBC has also placed an emphasis on extending support beyond just their employees by bringing on benefits such as adult daycare, which has provided caregiver employees with more flexibility.

Ms. Stahl noted that, in light of frustrations with "red tape" in the regulatory environment, many advisors have considered dropping their registrations and moving to the RIA space. In response, Raymond James recently rolled out a corporate RIA so that advisors may remain affiliated instead of "opening up their own shop."

Both also discussed initiatives that support employees who are approaching retirement. At Raymond James, a group of employees started a new employee resource group called "Encore" which focuses on the transition to retirement and supporting individuals in caregiving roles. Similarly, RBC has a program called "Heritage" which helps advisors think about transitioning their books and bringing in the "next-gen advisor."

At RBC, as advisors are expected to retire in the next ten years, they have placed priority on recruiting "next-gen advisors" whose skillsets and preferences may be different than the "legacy advisor" of ten years ago.

The advisor's perspective

Advisors who attended the webinar shared the ways in which well-being is coming up in their work:

Generational perspectives:

"…The retiring advisor, their lens is very different from where the industry is heading …The lens the more tenured advisors have is, 'I was first in, last out every day. These young folks don't know how to do that.' But that doesn't necessarily mean that's the right way forward. So, the big gap is then setting the right expectations."

Opportunities for next-gen advisors:

"I think the opportunity with the younger advisors is towards…soft skills. You know, training the soft skills is where it's at, because fintech is taking over the technicals of financial management, and it's therefore the depth of the relationship that's going to make the difference for the human advisor."

What brings career satisfaction:

"It makes me happy when I remind clients they are in solid financial shape (assuming they ARE in solid shape). They look to me to remind them of this because people tend to forget during the year and need to be reminded."

"[What is important to me is a] feeling of belonging [which comes from] being part of a supportive team that takes the time to invest in you."

Challenges in recruitment, retention, and retirement

Joseph Coughlin recounted some challenges he heard related to recruitment, retention, and retirement during his recent conversations with advisors. As younger employees increasingly prioritize flexibility and balance over compensation (PWC, 2018), recruiting and bringing in "next-gen advisors" becomes trickier, both for those looking to hire internally and those looking to retire:

> *"I can find people, really good, young, talented people – but they're honest with me. They are not interested in putting in the hours and sweat equity for more money and my corner office view of the Hudson. They're different than when I started." – Advisor, NJ.*

> *"I intend to stay active but want to transition, at least eventually. I really can't find someone who wants to serve my clients and run the business too." - Advisor, SC.*

Dr. Coughlin reviewed data from PLAN's Q3 2021 survey, in which over half of respondents reported that it was somewhat or very difficult to locate outside resources for caregivers, and less than one-third said that their organization has relationships with outside resources. This points to some advisors not having the tools they need to support their clients – an important consideration for organizations looking to retain advisors. Today's advisors appear to struggle to meet increasing demands from clients:

> *"The biz has changed, the clients have changed, they want more than what I do and what my firm offers today." - Advisor, IL.*

Some advisors also appear to struggle with work-life balance:

> *"I want to do the best I can by my clients, but what they want takes more time. What my firm requires of me takes more time. My husband and kids need more time. If you could invent more hours in a week, that would be what I need." - Advisor, IL.*

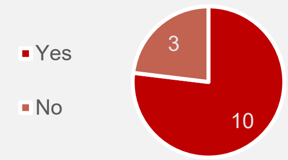
Other advisors expressed frustration with their firm's "red tape" processes:

> *"Am I stressed? [^(&!], I am stressed. If they (firm) put one more rule on me I am going to look at my [^(&!] options " - Advisor, MA.*

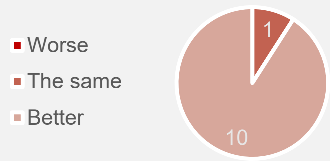
The advisor's perspective

Advisors who attended the webinar participated in Zoom polls on their attitudes toward their careers.:

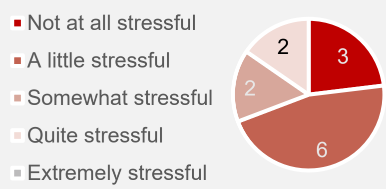
If you could speak to your younger self, would you choose the same career?



Do you think that your own professional satisfaction is better than, worse than, or the same as others with the same position/at different organizations?



These days, how stressful is the thought of retirement and practice succession planning for you, personally?



Q1 2022 survey findings

Julie Miller presented findings from the Q1 2022 PLAN survey on advisor well-being, which collected data from 99 respondents who are members of the PLAN panel of advisors. Respondents to the survey reported that they are highly optimistic about and satisfied with their careers. Dr. Miller also shared findings on the self-reported health of advisors. Respondents' self-reported mental health was, on average, better than their self-reported physical health. Women reported significantly more physically unhealthy days than men. Additionally, non-white participants reported significantly more mentally unhealthy days than white respondents.

97.9% report leading a purposeful and meaningful career

89.5% would recommend profession to future generations

Only 5.3% can envision changing employers within the next 5 years

94.8% are happy with their career

Only 7.4% can envision themselves changing careers within the next 5 years

Summary & implications for practice

- According to data from the Q1 2022 PLAN survey, advisors are largely satisfied with their careers and optimistic about their professions – but those rosy numbers may mask challenges that many advisors face in balancing their work with the rest of their lives and adapting to a changing profession. Those challenges come out more clearly in qualitative research with advisors.
- Managers and senior advisors are aware of generational shifts in the profession that will impact management and create needs for new offerings from firms to remain competitive as employers. Key for the industry will be offering greater flexibility and supports for new hires, and catering to an upcoming generation of advisors that has different desires and expectations for their careers and will require a new skillset in order to successfully work with tomorrow's clients.

Invite others to join PLAN! agelab.mit.edu/plan

The context of how we live in retirement has changed, and a new approach to anticipating, planning and preparing for older age is accordingly needed. We invite financial advisors, retirement planners, and others in the retirement industry to join PLAN to contribute to the understanding of the future of advice and be among the first to learn key research takeaways.