axos ADVISOR SERVICES

ADVISOR INSIGHTS

# Talent Acquisition

## Recruiting and retaining top personnel for your business

The post-pandemic economy has experienced a labor shortage that's unlike anything our nation has seen in decades. Industries ranging from restaurants and retail stores to manufacturers, distributors and technology firms are pulling out all the stops to attract and retain the employees they need to serve their clients.

Financial advisory firms aren't immune to the challenges of the labor crisis. Human capital has become an increasingly vital component to an advisory firm's business success, and we're experiencing an increasingly competitive hiring landscape. This makes it critical to devise strategies for recruiting and retaining top industry talent. Your firm could reap numerous benefits by devising effective hiring and retention strategies, including:

- Lower hiring and training costs
- Improved client satisfaction and retention rates
- Higher operating leverage
- A deeper bench and more bandwidth
- Diversified revenue streams
- More growth potential and higher AUM
- Improved succession and continuity planning

### How to recruit new advisors

Growth-oriented financial advisory firms are constantly on the lookout for new talent—even if they aren't actively hiring at the time. This enables them to keep their talent pipeline full so they can move quickly when they need to hire new advisors due to growth opportunities or attrition.

According to industry studies, four out of 10 advisory firms primarily recruit by hiring advisors away from other firms. One of the benefits of this strategy is that, depending on their contractual arrangement with their current firm, these advisors may be able to bring their book of business with them. Other recruitment channels are colleges and universities (33% of firms), banks and trust companies (16%), wirehouses (12%), and independent broker-dealers (10%).

Wooing successful advisors to your practice can be difficult, especially in the current environment. For every available advisors, there may be 50 other firms competing for his or her attention. The good news is that advisors looking for a new home will likely be attracted to what you have to offer—independence.

A successful financial advisor with a healthy book of business is typically looking fir an RIA that offer a robust

## Recruiting checklist

- ✓ Does your business have a compelling value proposition?
- ✓ Do you provide an opportunity for growth?
- ✓ Do you provide business development tools such as a referral network, the ability to cross-sell products and lead gen marketing programs?
- ✓ Is your technology platform comprehensive and solid?
- ✓ Do you provide a strong operational support infrastructure?
- ✓ Do you offer a competitive compensation model?
- ✓ Do you provide access to products and services that support holistic financial planning?
- ✓ Do you have a solid reputation in the local market?

technology platform, a strong support framework, the ability to grow, and a highly competitive compensation package. In addition, today's advisor is likely seeking a high degree of freedom, flexibility, and control over his or her business.

Here are a few best practices for recruiting and hiring top financial advisors:

- **Offer an internship program.** Talk to area colleges and universities that offer financial planning tracks about creating a formal internship program. For example, you could bring on one or two students each semester as interns and pay each student a small stipend. If they perform well and fit within your culture, you could offer them jobs as associates after they graduate. They will likely be more able to hit the ground running quickly since they already have experience working in your firm.
- **Utilize all available resources.** There are so many more recruiting resources today than there were back when newspaper classified ads were the main way to spread the word about job openings. These include online job boards like Monster and ZipRecruiter, your firm's website and social media channels, centers of influence (e.g., attorneys, bankers, CPAs), local financial planning association chapters like FPA and NAPFA, trade publications and websites, and your existing clients.
- **Tap into your professional network.** Word-of-mouth networking often tends to be the most effective strategy for finding new advisors. Let other professionals among your centers of influence know that you're looking for new talent. You could even offer to pay a referral bonus for any recommendations that lead to successful hires.
- **Identify your firm's employee value proposition.** In other words, what are some of the things that make working at your firm preferable to working at other firms? Why should advisors choose to work for you instead of one of your competitors? Maybe you offer cutting-edge technology, superior product solutions, open architecture, strong sales and marketing support, or have a sterling reputation in the marketplace. Once you've identified these factors, emphasize them to prospective new hires.
- **Hire for talent and train for technical knowledge.** Sometimes the best job candidate isn't the one with the technical qualifications, but the one with the most natural talent and character. While a minimum level of industry knowledge and experience is probably required, you can often teach and train new advisors the rest of what they need to know if they exhibit talent and aptitude.
- **Use hiring tools and assessments.** Many businesses use assessment tools like DiSC and Myers-Briggs to get a feel for how well an applicant might fit in the job and the corporate culture. Remember that these give an indication of a candidate's personality traits, not his or her technical skills or qualifications, so they should be considered along with more job-oriented criteria.
- **Offer mentorship and coaching.** These play a vital role in both recruiting and retaining the best employees. Top talent wants to be mentored and welcomes coaching from more experienced advisors. Assign an experienced coach/mentor to work closely with each new advisor and teach him or her the "tricks of the trade." Stress this to prospective hires during the interview process.
- **Master the art of remote interviewing.** The pandemic changed many aspects of the workplace, including the common practice of in-person job interviews. Many

businesses and job seekers are now comfortable (and even prefer) interviewing remotely via Zoom, Microsoft Meetings or other video conferencing software. One benefit of this is that it may open the door to faraway candidates who otherwise might not have interviewed for the job, especially if you offer a remote work option.

- **Use search firms strategically.** Search firms and "headhunters" can do most of the legwork for you when it comes to recruiting new advisors, but at a cost. You may pay a hefty fee for candidates hired through a search firm—and you may still have to invest plenty of time and energy into screening and selecting the right hires. In the right circumstances this might be justified, but given the cost, it's smart to use search firms selectively and strategically.

## Putting together competitive compensation packages

There are many different factors that go into why employees accept jobs, but compensation will always be high on the list. This is especially true for financial advisors, most of whom are highly motivated to maximize their earnings.

To hire and retain top talent in the current labor environment, you must offer an attractive compensation package that motivates advisors to perform at a high level while keeping them in the fold. It's wise to base your compensation plan on merit, including some form of incentive compensation, and make it fully transparent. Consider sharing equity with affiliated advisors and key staff to encourage long-term commitments.

A competitive compensation package will include employee benefits such as health insurance, a retirement plan and paid time off. According to industry studies, the vast majority of firms with more than $100 million in AUM offer health insurance benefits. This ranges from 84% of firms with up to $250 million in AUM to 97% of firms with up to $1 billion in AUM.

Many advisors today also expect some form of incentive compensation, such as commissions or bonuses awarded for reaching sales or production, client satisfaction or AUM goals. According to industry studies, more than three-quarters of advisory firms compensate staff with some form of performance-based incentive pay.

Your compensation should be comparable to what's being offered by other advisory firms. According to industry sources, the average salary for an experienced RIA is now $231,000, a 16% increase from $200,000 in 2014. Among support staff, portfolio managers now earn an average salary of $173,000 while operations managers earn an average salary of $101,000.[1]

The average base salary for a financial advisor assistant, meanwhile, is $43,336, according to PayScale, with bonuses ranging from $500 to $7,000, depending on the firm.[2]

| Salary ranges for various roles within financial advisory firms | |
|---|---|
| **Account management, sales and marketing** | |
| Base salaries | $60,000-$150,000 |
| Total cash compensation (including owner profit distributions) | $64,000-$240,000 |
| **Investment roles (including financial planners, paraplanners and portfolio managers)** | |
| Base salaries | $60,000-$125,000 |
| Total cash compensation (including owner profit distributions) | $65,000-$170,000 |
| **Operations and administration** | |
| Base salaries | $45,000-$97,000 |
| Total cash compensation (including owner profit distributions) | $48,000-$113,000 |

## Why advisors leave their firms

Employee turnover is costly for all businesses, but especially advisory firms. Many associate advisors establish close relationships with clients so when they leave a firm, this can jeopardize the client relationship. Also, it can take years to train and fully develop advisors, which makes their loss especially costly.

There are a number of different factors that typically motivate financial advisors to leave their firm. Some of them tend to push advisors out while others tend to pull them away to a new firm. Among the factors that push advisors out are:

- Dissatisfaction with the firm's corporate culture and overall value proposition.
- Increased bureaucracy and compliance burdens that manage to the lowest common denominator: commoditization.
- Ownership of clients by the firm.
- A lack of trust in firm leadership.
- Increasing (and sometimes unreasonable) client demands.
- A change in broker-dealer ownership.
- A change in the compensation plan.
- Compliance issues and regulatory concerns.

**RIAs can retain more client assets, increase revenues, and enhance the value of their practice by keeping high-producing advisors feeling valued and appreciated.**

Meanwhile, here are some factors that often pull advisors away to a new firm:

- The lure of being independent.
- Wanting to build a legacy.

- A desire for more freedom, flexibility and control.
- A better compensation package.

When “push” factors and “pull” factors combine to create an untenable status quo, a financial advisor is probably going to walk out the door. However, there are steps you can take to prevent valued advisors from leaving your firm.

Start by focusing on your corporate culture. This tends to emanate from the top down—in other words, the corporate culture is usually set at the top of the organization by the owner and key executives and trickles down from there. That means it’s up to you to shape the culture of your firm.

For example, will your culture be more formal and buttoned-down or casual and relaxed? Do you tend to micro-manage employees or give them more autonomy and flexibility? Is there an environment of open communication where employees feel like they can talk honestly with you and their supervisors?

Control is another big issue for many financial advisors, especially when it comes to the types of financial products they can offer clients and who owns their book of business. Some advisors want the flexibility to establish a brand for themselves that’s independent from the brand of the firm they work for.

The truth is, there’s probably little you can do to hold onto advisors who desire complete control over areas like these—they’re probably destined to leave and start their own firms eventually. Instead, focus your retention efforts on advisors who are comfortable working in your corporate culture and content with the level of control you can realistically offer. Your goal should be to do everything you can to keep them satisfied and content so they don’t go searching for greener pastures at other firms.

## Technology support

As you endeavor to recruit and retain top advisors and employees, having the right technology in place is a key component to employee satisfaction. Providing your affiliated advisors with the latest technology tools enables them to grow their businesses, enhance their efficiencies, and increase their revenues. Tech-enabled advisors typically have higher levels of AUM, higher AUM per clients and greater compensation than other advisors.

Offering the latest in relevant digital advances can bolster your employees’ ability to serve clients, both by freeing up their time and helping their businesses run more efficiently.

## What do next-generation financial advisors value the most?

According to a survey conducted by J.D. Power, the average age of financial advisors today is 55, and 20% of advisors are now 65 years old or over.[3] According to a study conducted by EY, just 22% of financial advisors today are under age 40 and just 5% are under age 30.[4] There are now more financial advisors over age 70 than there are under age 30.[5]

Your firm could reap several benefits by hiring newer financial advisors. For starters, they obviously won’t be retiring anytime soon. Young advisors often bring fresh energy and new ideas to a firm, challenging more experienced advisors to think outside the box and be better mentors. They can also help firms attract younger clientele.

What are young financial advisors looking for in a firm? At the top of the list for many is more freedom, flexibility and control over their professional and personal lives. For example, many young advisors place a high value on maintaining a healthy work-life balance. They want to work for a firm with flexible scheduling and paid-time-off policies and a remote work option, at least for a couple of days a week.

Other aspects of work sought by many young advisors are accelerated growth opportunities, a favorable compensation plan (including cash up front, equity and earnout opportunities) and a robust technology platform and infrastructure. Most consider the latter to be table stakes for any firm they might consider working for.

RIAs, independent broker-dealers and quasi-independent and boutique firms tend to offer the most freedom, flexibility and control and the fewest restrictions. At the other end of this spectrum are private banks, bank brokerage firms, and wirehouse and regional firms, which usually offer less flexibility and control and more restrictions, along with less take-home earning potential.

## Equity as a recruiting and retention tool

One of the biggest perks you can offer advisors is an equity stake in your firm. Ownership can be a strong incentive for an advisor to join your firm and stick around for the long haul. It also has the added value of promoting a more sustainable business model. According to industry sources, nearly half (46%) of experienced financial advisors own an equity stake in the firm where they work.[6]

While sharing equity with employees can be an effective recruiting and retention strategy, this isn't a step to be taken lightly. So when does it make sense to offer an advisor a piece of the ownership pie?

Ideally, equity shares should be offered to more experienced advisors who can add real value to the firm. This may come in the form of industry expertise (especially in a niche area you'd like to pursue) or a book of business they bring with them. It's generally not advisable to offer an ownership stake to new, inexperienced advisors, although you could dangle potential future ownership as a carrot to attract young advisors and incent them to remain with your firm.

This technology may include financial planning software, account aggregation tools, portfolio management software, and document management systems among others.

Not every firm needs to include every piece of advisor technology in its tech stack. Each digital tool in your tech stack should play a specific role in strengthening your practice, improving client service, and boosting profitability. Start by identifying the specific technology needs of your firm and your clients.

Also determine what your inefficiencies are. For example, if you and your employees are spending an excessive amount of time on manual tasks and workarounds, you should implement technology tools that can automate these tasks and processes. Financial planning and portfolio management software are especially valuable tools for streamlining and automating tasks that are critical to the success of your clients and your firm.

It is often a good idea to get feedback from employees and other advisors about which tech tools your firm should use. For example, your employees are the ones on the front lines who handle many of the tasks performed each day to serve clients and meet their needs, so they're in a good position to provide valuable input about which tech components may (and may not) be most useful.

With technical advances across industries, clients are now conditioned to expect more from their financial advisors technology-wise than they did in the past. So ask yourself: Are your tech tools making it easier, or harder, for you to strengthen client relationships, deliver a high level of service, and offer customized financial planning? You should choose components for your tech stack with this question top of mind.

## Offering a career, not just a job

Most financial advisors want to see opportunities for career advancement where they work—especially new advisors who are just starting their careers. Unfortunately, many advisory firms make the mistake of offering advisors a "job" instead of a "career." Here are some of the most common characteristics of a job:

- Requires performing mostly repetitive tasks with little variation.
- Provides limited decision-making authority and little to no autonomy
- Viewed as a cost, not an investment.
- Offers limited opportunity for new skills development and additional responsibility.
- Offers little or no professional development, continuing education or training.
- Expectation is to "think like an employee."

Meanwhile, here are some of the most common characteristics of a career:

- Requires working on multiple projects simultaneously
- Offers a variety of different kinds of tasks and work experiences.
- Offers a high degree of autonomy and decision-making authority.
- Viewed as a human capital asset and investment, not a cost.

- Presents a clear path for increased responsibility and advancement, along with commiserate financial rewards.
- Offers ongoing training and education for professional skills development.
- Expectation is to "think like an owner."

While some advisors will no doubt be happy working in a job, most top-tier advisors are looking for a true career opportunity with their firm. To attract and retain these advisors, you should lay out a career advancement track that includes specific milestones for promotions and increased responsibility, along with the training and resources advisors need to advance.

## Plan proactively

There's no telling whether the current labor crisis will end anytime soon. Proactive firms are devising strategies now to help them recruit and retain the top talent they'll need to be successful in the future, regardless of the employment environment.


1 "RIA Salaries on the Rise as Firms Pay Up for New Hires–Study," Advisor Hub, February 6, 2020 (https://www.advisorhub.com/ria-salaries-on-the-rise-as-firms-pay-up-for-new-hires-study/)

2 "Average Financial Advisor Assistant Salary," Payscale, November 29, 2021 (https://www.payscale.com/research/US/Job=Financial_Advisor_Assistant/Salary)

3 "Your Financial Adviser Wants to Retire, Too," Kiplinger, December 10, 2020 (https://www.kiplinger.com/retirement/601878/your-financial-adviser-wants-to-retire-too)

4 "Financial Planners are Retiring Faster Than They Can Be Replaced," The Street/Personal Finance, October 12, 2018 (https://www.thestreet.com/personal-finance/financial-planners-are-retiring-faster-than-they-can-be-replaced-14743456)

5 "How financial advisers can retire well—instead of dying at their desk," Market Watch, January 4, 2020 (https://www.marketwatch.com/story/how-financial-advisers-can-retire-well-instead-of-dying-at-their-desk-2019-12-30)

6 "RIA Salaries on the Rise as Firms Pay Up for New Hires–Study," Advisor Hub, February 6, 2020 (https://www.advisorhub.com/ria-salaries-on-the-rise-as-firms-pay-up-for-new-hires-study/)

# Axos Advisor Services is committed to your success

At Axos Advisor Services, our business support resources are designed to bring tools, data, and resources to help you make informed decisions. Our insights will help you learn how to evolve your advisory practice to become more profitable, scalable, and productive, as you endeavor to deliver on your promise to your clients, employees, and community. We help you build an enduring business by supporting your growth and driving actionable ideas and beneficial behavior change. Our areas of support include:

**Business management consulting**

- Business strategy and planning: Helping plan strategically for the future.
- Marketing and growth: Helping grow the business profitably, including P/L management and marketing strategies.
- Client experience: Helping develop a more effective and differentiated client experience.
- Talent management: Helping with hiring, recruiting, performance management, and compensation planning.
- Risk management: Helping identify and manage business risks

**Technology consulting**

- Workflow analysis: Identifying your tech ecosystem and where improvements can be made
- Technology integrations: Review and offering recommendations to ensure technology is seamless and efficient
- Security/cybersecurity: Technology to keep the advisor's business safe

**Operational efficiency consulting**

- Process improvement: Making recommendations for improving productivity, training, workflows and processes
- Capacity utilization: Helping to optimize the productive capacity of the business
- Workforce planning and labor cost management: Improving employee productivity/performance

We believe our support can help advisors at all levels accelerate the growth, profitability, and efficiency of their practices. By taking advantage of the personalized education, coaching and consulting services offered by our group, you can identify the challenges and opportunities you face, and begin to design and implement a personalized plan to help you reach your most important business objectives.

## At Axos Advisor Services, we never stop thinking of new ways to help you grow your business and truly serve your clients.

## For more information, email sales@axosadvisorservices.com, call 866-776-0218 or visit axosadvisorservices.com.



axos
ADVISOR SERVICES