

WHITE PAPER

Next: The Future of Wealth Management Update

The War for Talent in Wealth Management



Human Capital in the Crosshairs

With talent in short supply, the effort to attract and retain the human resources that advisory firms require to grow has turned into one of the most strategic challenges firm leaders have ever faced. In which areas are firms looking to add staff? At what level? And once hires are made, what are firms doing to increase retention, provide career paths and create successful compensation plans?

To find out, Wealth Management IQ in partnership with BNY Mellon | Pershing, conducted a survey of advisors exploring where their firms are now regarding staffing and human capital, and what they see coming in 2023. Based on the results of that research, this white paper is the latest in a series focusing

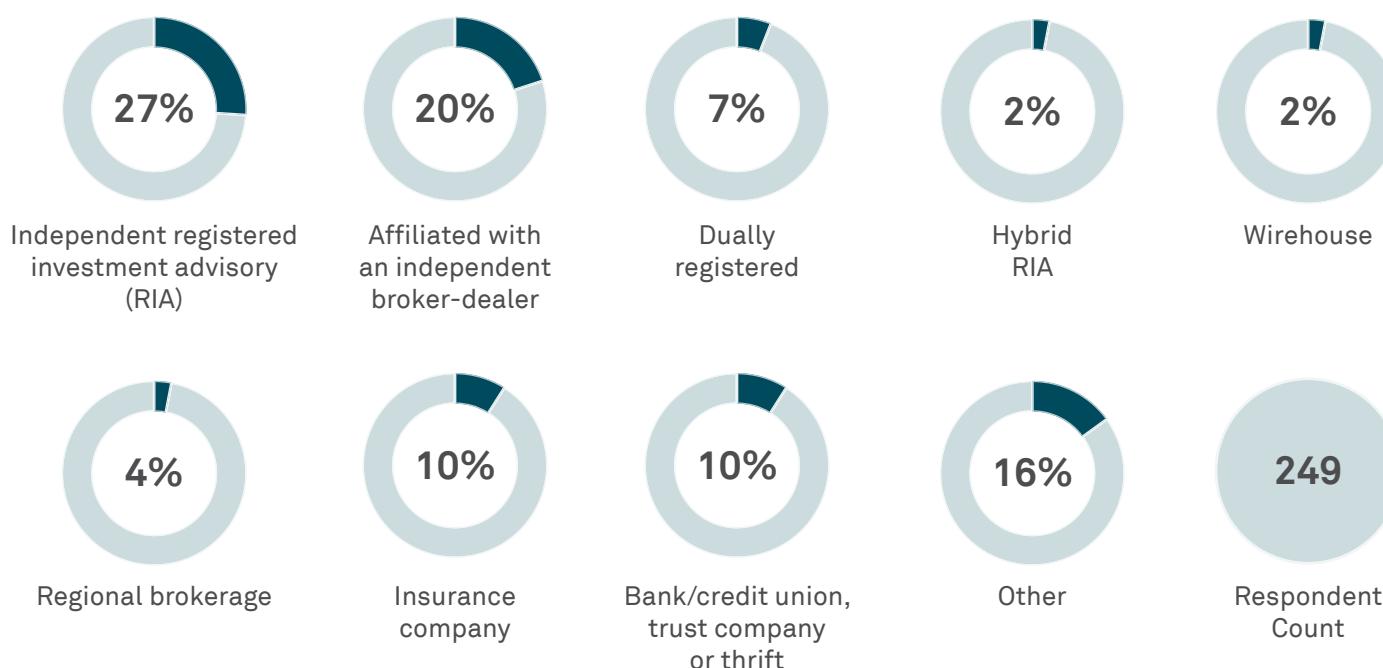
on the future of the wealth management business. Previous white papers have touched on services that will be most in demand over the next five years, industry growth prospects and technology and marketing. Underlying everything, as the research indicates, will be the talent to get the jobs done.

A closer look at the study's findings and their implications are presented in the following pages.



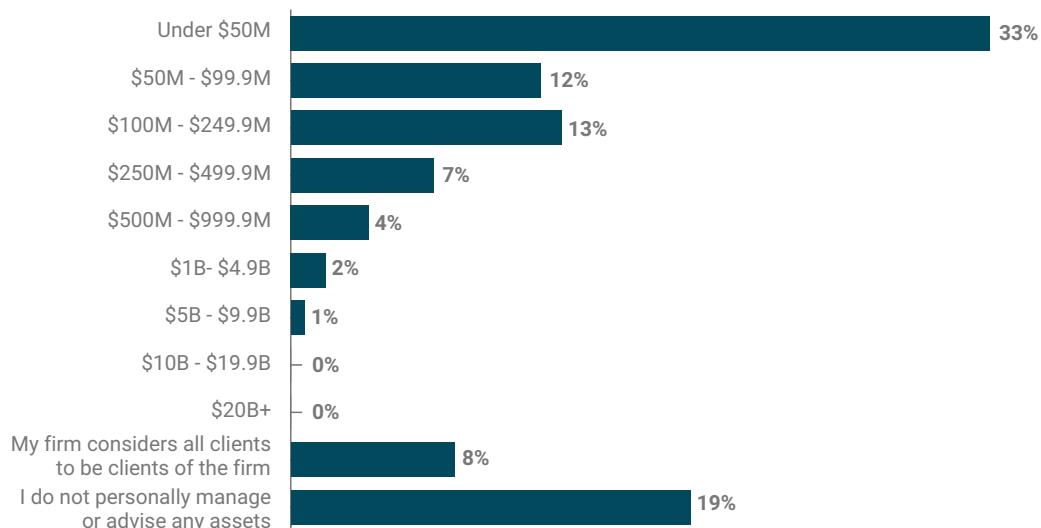
The Study at a Glance

Respondent's Firm Type

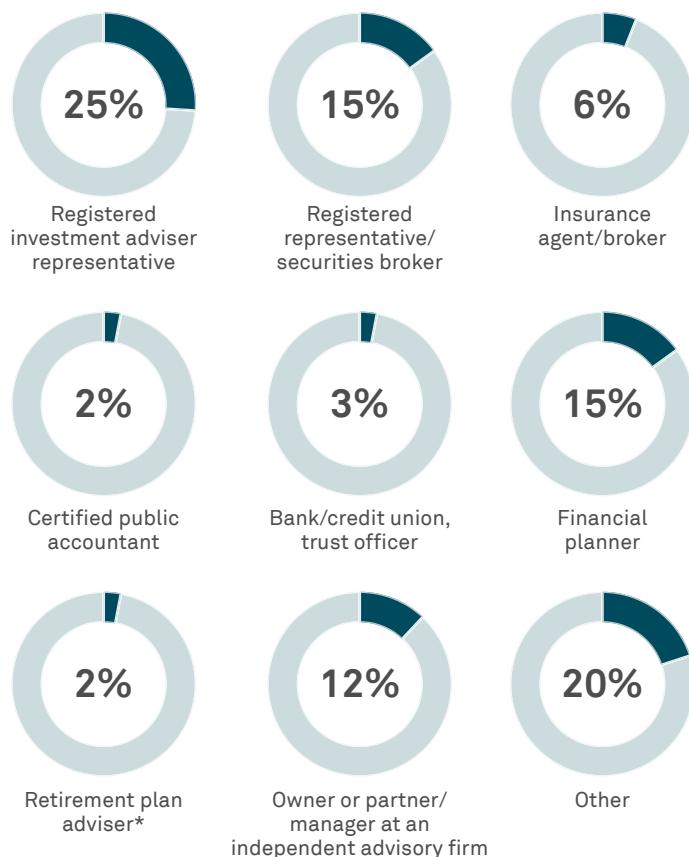


The Study at a Glance

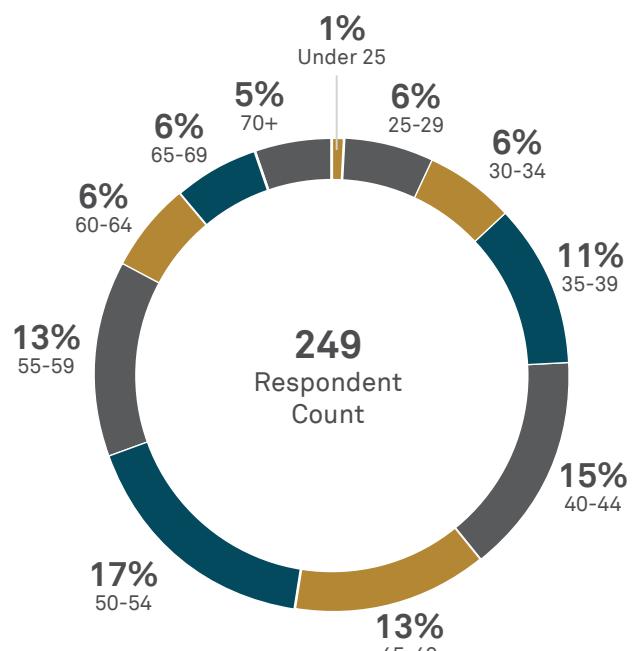
Respondent's Assets Under Management



Respondent's Job Function



Respondent's Age



* (directly advising defined contribution plans)

The Human Capital Driving Today's Firms — A Look Under the Hood

Perhaps one of the most striking features of today's wealth management business is that it is dominated by small firms. While wirehouses each have thousands of employees, almost two-thirds of survey respondents — 64% — said that 25 or fewer people work full-time at their firm or immediate branch. Just 10% of respondents said there were between 25 and 49 full-time workers at their firm and there were even fewer respondents from firms with a greater number of employees.

What type of work do those relatively few employees do? According to the survey, roughly 27% are involved with investments, 29% work in areas related to advice, 21% are in operations, 14% are in sales and marketing and under 9% are in roles of a leadership or purely management nature. This structure and limited staffing have not changed significantly for many firms, despite the surge in assets and revenues at many firms over the last decade.

But last year marked a change. While small firms still rule, almost half of respondents — 46% — said that their firm increased its headcount in 2022, while only 10% of firms decreased their headcount and 44% said total employment had not changed. Of the roles added by firms in 2022, the most popular addition was junior advisor/paraplanner, cited by 31% of respondents. Other frequently cited job-type additions were executive assistant (27%) lead advisor/planner (22%), marketing associate (23%) and business development specialist (17%). There was little difference among the major firm types in the roles they added.

Almost two-thirds of survey respondents — **64%** — said that **25 or fewer** people work full-time at their firm or immediate branch.

Jobs Added in 2022



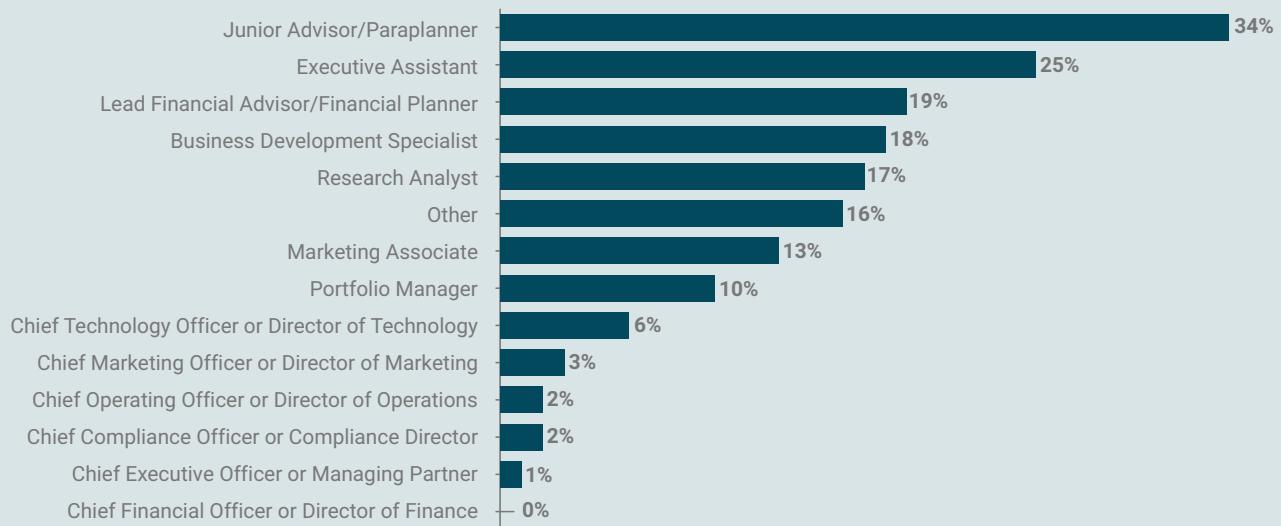
“One job function we want to fill is a business analyst position focusing on how we can get more out of our systems and everything already in place.”

-Ted Rupp, Principal, Kovitz

Many firms seeking to add new roles have not filled these positions. More than a third of respondents (34%) are looking for a junior advisor/paraplanner, 25% cited a search for an executive assistant, 20% seek a lead advisor/financial planner and 16% seek a business development specialist. Perhaps indicating they had already found candidates, just 12% are looking for a marketing associate. At the same time, while 14% of respondents added the role of research analyst in 2022, 17% are seeking a research analyst, a possible sign of a dearth of available candidates in that specialty.

More than a third of respondents (34%) are looking for a junior advisor/paraplanner, 25% cited a search for an executive assistant, 20% seek a lead advisor/financial planner and 16% seek a business development specialist.

Jobs Adding in 2023



How Red-Hot Demand for Talent Is Driving Change

With many firms actively looking to hire, candidates and potential candidates with specific experience are prime targets. It's no surprise, therefore, that potential candidates with the skills and experience being sought — say, in planning or business development — are those who are doing precisely that work at another wealth management firm. But what may be surprising is the level of interest firms are expressing in employees of other firms: 60% of survey respondents said that they have been contacted by a competing wealth management firm about a potential new job in 2022. When asked how many firms had contacted them, 28% said they were contacted by three firms, 16% cited two firms and 10% reported six.

While 53% of respondents said it was highly unlikely that they would consider a move to another firm over the next 12 months, a total of 21% said they were very, somewhat or slightly likely to consider changing firms. Even if about half of employees want to stay put, more than one-fifth of firms' current employees might be tempted to move, and another 11%, according to the survey, said that they or their colleagues are considering leaving the industry.

Said another way, **roughly two-thirds of the wealth management industry is being recruited and nearly one-quarter could change firms over the next year.**

“It’s getting harder to find talent, particularly at the junior and lower level, in big cities like Chicago, New York and San Francisco, because there has been a real exodus of people.”

-Lisa Crafford, BNY Mellon Pershing Wealth Solutions

As a result of the scramble for talent and the willingness of a sizable number of employees to consider a workplace alternative, firms are making a greater effort to retain their people as well as expand the universe of their candidates as they continue to add employees.

To retain personnel, 44% of respondents said their firm has promoted or intends to promote one or more employees in 2022. Only 29% of respondents said their firm wasn’t considering promotions, with 28% unsure of what their firm had planned.

Often combined with a promotion is greater compensation. Despite what may be static or somewhat lower fee revenue due to lower asset values in 2022, many wealth management firms are increasing compensation to help retain employees. Almost two-thirds of survey respondents said they expected that their total 2022 compensation would rise, with 21% saying it would be greater by 20% or more, 28% saying it would increase by 10% to 19%, and 16% saying their compensation would be up by 16%. Only 21% said they expected their compensation to be unchanged in 2022, with 14% expecting it would be lower.

In their search for additional employees, firms are seeking to add staff in ways that will help them deliver the services which, as indicated by previous survey results, they believe will be most valuable five years from now. These services include retirement income planning, investment management, financial plan development, estate planning, income tax planning and asset allocation.

In the current survey, respondents under the age of 50 were more likely to be adding paraplanners and others in support roles than were respondents over age 50. Given their age, these younger respondents probably are more likely to invest in growing their business than respondents closer to retirement. And since team-based delivery of service is a way to systemize a wealth management business, improve efficiency and increase enterprise value, many younger advisors and business owners see adding junior members as part of a team to be a viable growth strategy. Teams also have been shown to be an effective, long-term method of developing successful senior advisors who are key to the business and who are increasingly in short supply.

Because junior team members often receive on-the-job training and do not need extensive wealth management experience, the industry can reach outside its traditional talent sources and look to a wider pool of available candidates, easing the pressure on costs. The addition of NextGen members, therefore, looks to be a viable and cost-effective growth strategy.

Almost **two-thirds** of survey respondents said they expected that their total 2022 compensation would rise, with **21%** saying it would be greater by **20% or more**, **28%** saying it would increase by **10% to 19%**, and **16%** saying their compensation would be up by **16%**. Only **21%** said they expected their compensation to be unchanged in 2022, with **14%** expecting it would be lower.



Takeaways and Suggestions



Mirroring trends in the general economy, wealth management firms are dealing with a tight labor market. While they look to expand to meet the rising demand for financial advice, they face challenges in finding the talent they need. These demographic trends are likely to continue.



Compensation costs are likely to increase in absolute terms and as a percentage of revenue as firms try to attract and retain personnel, especially in mid-tier and senior job functions.



The addition of junior-level team members may add to human capital costs in the short-run, but teams deliver greater efficiency, greater customer satisfaction and increase the value of the business through systematized processes. As a result, they should be considered an investment in the future.

OVERVIEW

Methodology, data collection and analysis by Wealth Management IQ on behalf of BNY Mellon | Pershing. Data collected September 28 through October 6, 2022. Methodology conforms to accepted marketing research methods, practices and procedures.

METHODOLOGY

Beginning on September 28, 2022, Wealth Management IQ emailed invitations to participate in an online survey to active users. By October 6, 2022, Wealth Management IQ had received 249 completed responses.

RESPONSE MOTIVATION

To encourage prompt response and increase the response rate overall, a live link to the survey was included in the email invitation to route respondents directly to the online survey. The invitations and survey were branded with the WealthManagement.com name and logo in an effort to capitalize on user affinity for this valued brand. Each respondent was able to enter a drawing for a YETI 75 Tundra Cooler, valued at \$450.