IMCA
Research Quarterly
investment management consultants association

Quarter I 2010 | IMCA *Research Quarterly* is offered exclusively to IMCA members by Investment Management Consultants Association. This article was created by and published in partnership with Cerulli Associates.

Post-Crisis Financial Advisor Professional Development

By Bing Waldert, Cerulli Associates

Late 2009 and early 2010 have seen a renewed focus on growth from some of Wall Street's largest broker–dealers. Three of the four wirehouses added incentives to their compensation plans for those advisors who exceeded specified growth targets. Likewise, the recruiting packages for advisors coming from competitor firms have included back-end incentives for these advisors to continue to grow their businesses.

However, despite a renewed focus on organic growth, many resources in place to support the growth of these advisors have been reduced in the financial crisis. Broker–dealer home offices have seen significant layoffs. Despite already far-reaching job descriptions, branch managers have seen their jobs threatened as firms have moved to expand their responsibilities to multiple branches. Branch managers' hands-on coaching with advisors becomes all the more challenging when the manager is overseeing multiple branches; advisor training becomes less personalized and more group-oriented as the manager's responsibilities broaden.

As advisors are encouraged to grow with less support, the door is open for third parties to provide training and professional development. This support comes from a variety of sources. Most obviously, asset managers and product manufacturers have been developing suites of value-added marketing materials to help distinguish their product lines in a crowded marketplace. Product manufacturers with high-quality materials likely will be the first line of defense to fill the gaps. In addition, professional organizations that provide peer-to-peer training will play a role in educating financial advisors interested in honing their craft.

The interest in professional development for financial advisors represents another touchstone for a maturing industry. In past issues of IMCA *Research Quarterly*, we have detailed the ways in which advisors have shifted away from sales and transactions to consulting. Education and training goes side by side with developments such as fee pricing, financial planning services, and team-based advisor practices. In Cerulli Associates' survey of nearly 1,900 financial advisors in 2009, we found that nearly one in six holds a graduate degree.

In addition, more than 80 percent of Cerulli Associates' survey respondents reported holding a professional designation. However, this number is steeper than the industry average. Cerulli Associates has entered into long-term survey partnerships with IMCA and other industry trade organizations, and these survey respondents are more likely to hold professional designations. However, examining the differences between advisory practices based on the advisors' education remains revealing. More-educated advisors are more likely to operate in a consultative fashion, serve wealthier clients, and manage more in assets. Although retail clients do not seek out better-educated advisors, professional development allows advisors to better serve wealthier clients, which ultimately helps to drive advisor success.

This issue of IMCA *Research Quarterly* also looks at the ways that advisors are seeking to develop their practices. We describe the advisor outlook for financial planning services and retirement income services, and we examine the resources that advisors use to develop client recommendations. Perhaps one of the most telling findings of 2009 was that more than half of IMCA members planned to increase financial planning services post-crisis. However, these same advisors need advice about the most logical expansion of their practices as well as the specific steps to take. Although retirement income services seems a logical expansion of advisory services, this shift has yet to materialize, despite our recent first-hand experience with the effects of a bear market on client retirement savings.

Although we see financial advisors reducing their dependence on broker–dealers for professional development and training, broker–dealers still will play a role. The resources they provide to advisors, however, must evolve and become more specialized. Particularly on the investment front, advisors are seeking new and creative ways to manage risk in client portfolios. Advisors are open to thoughtful education on how to improve client portfolios through such methods as alternative vehicles or tactical asset allocation.

Methodology: In January and August 2009, IMCA distributed a survey link to more than 7,300 current IMCA members providing access to a proprietary Cerulli Associates online survey instrument. The total respondent base of 303 in the January survey and 219 in the August survey is a sample of the investment advisor, broker–dealer, and institutional consultant membership of Investment Management Consultants Association. Please note that not all questions were asked in both surveys.