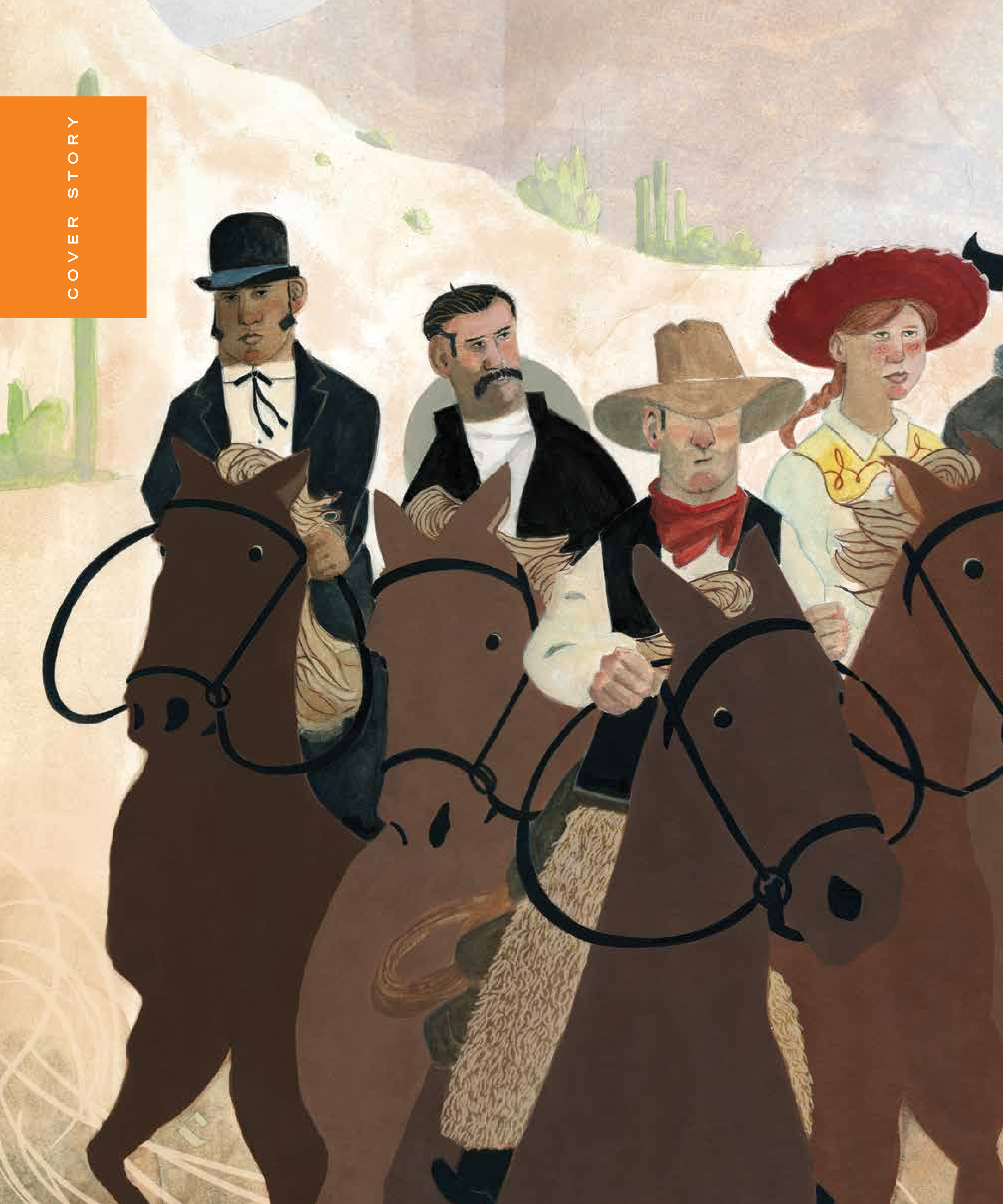

Young Guns: Building the Future

By John Iekel

Upon learning that the *New York Journal* had published his obituary while he was still very much alive, Mark Twain famously remarked, "The reports of my death are greatly exaggerated." In similar fashion, some have pronounced the aging and eventual demise of the plan advisor community. But like Twain's ill-timed obituary, those laments are greatly exaggerated.

The face of the future of the financial advisor world is there to see. Or more accurately, faces. It's not the face of an aging avocation. It includes the freshness and vigor of new members and a new generation. It's ready to take the profession into the future. In fact, it already is.

Here we provide a look at NAPA's "Top 50 Plan Advisors Under 40" — the vanguard that is taking the profession into a new day. But first let's take a look at why fresh faces are good news for this industry, and what is being done to bring them in and nurture them.

Falling Numbers, Graying Demographics

Cerulli Associates, a Boston-based research and consulting firm that specializes in the financial services industry, has reported that there were 334,919 financial advisors in 2004, and 320,378 in 2010. Says Deena Katz, Associate Professor at the Texas Tech University Department of Personal Financial Planning, "Realistically all [U.S. college and university] programs graduated only about 1,000 students a year. Considering the need for financial advisors, the lack of people entering the field is really astounding."

Scott Smith, then a senior analyst at Cerulli and now its director, told *Forbes* in an interview that several factors are to blame for the lower number of young financial advisors. He cited a lack of awareness about the financial advice field and what advisors do; the hit the financial professions' reputation took during and in the wake of the Great Recession; reluctance to do the heavy lifting of a sales-oriented job; and fewer training programs.

And as if the shrinking of the financial advisors' ranks wasn't problem enough, it's also aging. Cerulli reported that in 2011, financial advisors' average age was 49.6. Mark Elzweig, who heads the executive recruitment firm Mark Elzweig Company, also has observed that the financial advisor community is aging.

Fresh Opportunity

Sobering demographics may suggest that the financial advisor community is in decline, but other research contains the seeds of hope and potential growth. Says Katz, "There is a huge demand now. In fact, a Pershing study released in January estimates that we are 235,000 planners short for the demand."

Even better, younger adults need financial advisors.

Those 18-39 years old evince a long-term view toward finances that is receptive to saving. Northwestern Mutual in its Planning and Progress 2014 Study found that 59% of adults in that age group consider themselves disciplined financial planners. Even more interesting, that age group has the largest percentage of any who hold that opinion.

That includes the youngest segment of that group, those age 18-29. Northwestern Mutual found that 62% consider themselves to be at least disciplined, if not highly disciplined, about financial planning.

That's good news for savings and suggests that the prospects are good that those under age 40 will actively prepare financially for retirement and already have established that as a habit. And that bodes well for an industry that fairly recent reports have argued is in decline and perhaps even doomed. If younger adults are interested in saving and financial planning, they're going to need advisors.

There's even better news for financial advisors. According to Northwestern Mutual, 68% of Millennials say they could do a better job managing their money. Not only that — 28% are not sure where to find help with financial planning, and only 13% have a financial advisor.

All this spells fresh opportunity to the financial advisor community.

Building the Ranks

To increase the number of financial advisors to meet the need for their services, firms are training and recruiting new ones. But they aren't limiting themselves to only doing that in the traditional way of seeking newly minted college grads.

One way is to recruit professionals who are already in the workforce and in the jobs they held built and used the skills a financial advisor needs. "New advisors tend to be people who have demonstrated success in a previous career," Elzweig notes.

Why would a financial advice firm want established professionals? For one thing, says Elzweig, they "have contacts whom they can approach for business." He adds, "Some simply have the maturity and life experience to credibly approach investors many of whom are in their 40s and up." Katz agrees, noting, "They want to hire guys with graying hair and a big rolodex."

Cerulli's Smith agrees, and identifies two more reasons. "Basically, firms see it as cheaper to recruit," Smith says, adding that firms see "better results with career changers than recent college grads."

Steff Chalk, Executive Director of The Retirement Advisor University (TRAU™) at the UCLA Anderson School of Management Executive Education (and *NAPA Net the Magazine* columnist), prefers to look beyond age, and sees experience as more important. "Experience is a phenomenal feature," he says. Chalk argues that learning can — and should — occur independent of age. "If someone ceases to learn and ceases to seek out knowledge, that's a problem."

To Chalk, "client demand, legislation and the rapid speed of change" are "the real issues." He added, "If an older advisor is still able to stay current on legislation, regulation and client needs, I don't see age as a factor."

Still, firms are not ignoring the more traditional route of recruiting young professionals and making their own home-grown financial advisors. "Historical [financial] wire houses have excellent programs to educate their advisors," says Chalk, noting that education can take place outside the classroom: "Individuals can achieve a designation and gain knowledge by experience and non-designation programs."

"Curricula that center on building the knowledge and skills students will need and use in order to be financial advisors are necessary in building the ranks of the advisor community."

Elzweig confirms the existence of in-house training programs. "Firms are hiring new advisors and putting them in lengthy 2-3 year training programs in which they work with a senior advisor team." And big players are in on the act. Edward Jones, Raymond James, Johnson Financial Group and Merrill Lynch all seek new financial advisors for their workforces; Merrill Lynch alone hired 2,000 in 2010.

Katz sheds light on why financial planning houses provide training. "For the most part, they are either hired without formal training in personal financial planning, or they take a certificate program to get their CFP. The curriculum of the certificate programs is what the CFP Board dictates according to their job studies."

Employers also can turn to other parties to train future financial advisors or hone their skills. For instance, NAPA offers the NAPA 401(k) Practice Builder, an interactive online program that provides straightforward explanations of complex industry topics in a way that relates it to situations students will encounter as advisors. Its students can work on the five program modules at their own pace.

"Today, advisors need not only sales skill, but expertise," says Lisa Allen, ASPPA's Director, Institutional Training Sales. "Plan sponsors are far more knowledgeable [today] and know what questions to ask, and advisors are expected to know how to answer. Competition for plans is pretty fierce — just look at the stats on how many times per year the average plan sponsor is contacted by an advisor asking for their business. The Practice Builder provides foundational knowledge, and importantly, in the same way advisors will have conversations out in the field," she added.

Craig Garner of Eldridge Investment Advisors, who chairs NAPA's Retirement Plan Academy Advisory Group and was one of the people who created Practice Builder, agrees with Allen. Says Garner, "Advisors can no longer be salespeople. Selling plans is no longer a commodity. Advisors must be experts in their field, and leaders in the retirement industry. They must know more than the generalities of investments and investing. They are expected to have the knowledge to provide guidance and advice that will allow plan sponsors to offer more effective retirement plans, and to help employees make better decisions that will translate into a more secure retirement."

But is just training after hiring enough? Katz doesn't think so. "Most of these career changers are older, and not so much younger than the average age of current advisors. The industry is not investing in human capital. The future advisors need mentoring, training and experience. Big broker dealers will 'steal' reps from each other, paying large dollar bonuses to get them to move assets over."

Katz doesn't think much of this practice, commenting, "This is like rearranging the deck chairs on the Titanic. If the industry took half that money and invested it in educating the next gen, we'd be

solving this problem much sooner. As long as the industry is still looking for just good sales people instead of good advisors, it will be difficult to overcome the issues. One recruiter for a large BD told us that they aren't interested in our kids and whatever education they are getting they don't care about."

And that is less than ideal, Katz indicates, since that approach may serve firms' bottom line in the short run but ultimately does not serve clients well. She says, "My only thought on that is, as a consumer, do I want someone who knows how to sell me product or someone who knows how to help me solve my financial issues?"

So if Smith is right about why young people are less than enthusiastic about entering the profession, what can be done to change that? Katz offers some ideas. "I think we need to start proactively meeting with high schools and colleges, providing financial literacy programs and educational experiences that will demonstrate what a planner really does and how helpful we can be in the lives of families."

In addition, she thinks that will help counter the bad reputation advisors, like many in the financial sector, have had in recent years. "Bad press paints all of us with the same brush. I don't think students, and probably most people in this country, really know what to expect in a relationship with a financial advisor. True planners and not high-pressured sales guys, hot-shot stock jockeys or greedy cheaters."

"Firms are putting out the welcome mat for college grads with degrees relevant to the industry."

Of course, actual curricula that center on building the knowledge and skills students will need and use in order to be financial advisors are necessary in building the ranks of the advisor community. TRAU is a prime example.

TRAU is not an undergraduate program; it is a program that provides training to people who already are in the field. To carry TRAU's C(k)P designation, an advisor must have three years in the retirement planning field and oversee at least 10 retirement plans with total assets of at least $30 million.

TRAU is the first retirement planning certification program associated with a nationally recognized institution of higher learning. It offers a comprehensive retirement training program for financial advisors, which it delivers onsite, as well as through e-learning and self-study. And it affords advisors and wholesalers the opportunity to earn certifications relevant to plan sponsor clients, prospects and the retirement industry itself.

TRAU is the result of a collaboration between UCLA's Anderson School and financial advisors in the retirement plan industry. As such, it follows an approach that centers on academic studies as well as their practical application. Ultimately, it seeks to empower financial advisors to help their clients have a financially secure retirement.

But of course, there are undergraduate programs. Says Chalk, "There are tracks in the university environment for those who want to be part of the financial advisor community."

And changes in the industry itself may in the process help in enlisting new, young advisors. For instance, there is "movement among a significant percentage of firms" to change the way financial advisors are paid, according to Millennium Career Advisor President and CEO Ron Edde. "I don't know that it's tectonic movement," says Edde; still, he notes, many firms seek to tie compensation to performance and add targeted bonuses.

"All the wirehouses would like to see compensation be decreased," Edde says. "They would prefer to force advisors to accept salaries with bonuses" as opposed to a commission payment structure.

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NAPA

YOUNG GUNS

TOP 50 PLAN ADVISORS UNDER 40

Alex Assaley	Commonwealth
Beau Beaullieu	CoSource Financial Group, LLC
Goran Bojovski	Merrill Lynch
Julie Braun	Morgan Stanley
Daniel Buxton	Robert W. Baird
Mary Caballero	LPL Financial
Brian Catanella	UBS
Rich Cawthorne	Alpha Pension Group
Michael Chisnell	Sequoia Financial Group, LLC
Peter Ciovacco	Morgan Stanley Graystone
John Clark	LPL Financial
Jason Cohn	Raymond James
Dominic Corleto	Wells Fargo Advisors
Luke Costello	Morgan Stanley
Brady Dall	LPL Financial
Jim Detterick	Morgan Stanley
Stephen Dopp	Cafaro Greenleaf
Keith Dressel	Morgan Stanley
Michael Duckett	NFP
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*For more information about NAPA's "50 Top Plan Advisors Under 40," please see the June 2014 issue of NAPA Net, or visit the website at www.NAPA-Net.org

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NAPA YOUNG GUNS
TOP 50 PLAN ADVISORS UNDER 40

Austin Gwilliam	401(k) Advisors
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Trey Jamison	LPL Financial
Todd Kading	LeafHouse Financial Advisors
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Shawn Kersjes	Oppenheimer & Co.
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John Negrete	M Financial
Matthew Offen	Morgan Stanley
Michael Palmore	Wells Fargo Advisors
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Michael Ribich	Merrill Lynch
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Jordan Sibler	Avondale Partners, LLC
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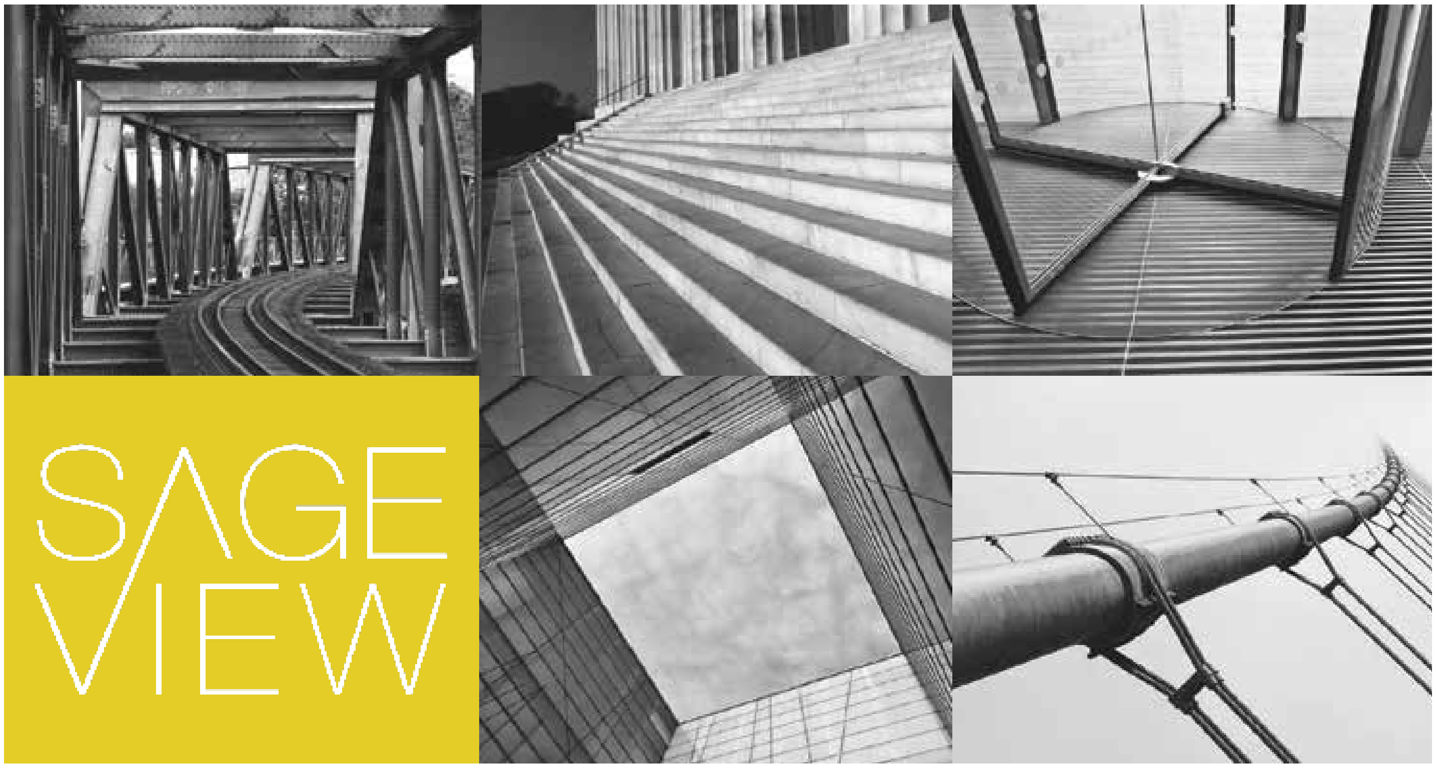

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Rowe, the firm's VP of External Communications and Corporate Communications notes that Wells is piloting such a program. She indicates, however, that the program "is in the early stages" and that at this point they "have not implemented any changes in the way we pay and train our financial advisors."

Edde says that he "knew for a fact that plans were set up for this" at Bank of America Merrill Lynch as well.

For some industries, for instance real estate, employees may more readily accept salary-based compensation due to the sometimes unpredictable and unstable nature of their business and income-generating transactions, according to Edde. He did not number the securities industry among them, but coupled that observation with an important caveat: Young advisors are open to salary-based compensation, even if their more seasoned counterparts are not.

Edde confirms that younger advisors are attracted by the security of a consistent salary as opposed to the more lucrative, but also more unstable, commission-based compensation structure that has been the industry standard.

What is less clear, according to Edde, is how long such a payment approach would continue for a new advisor. "The interesting thing to watch is whether firms will insist on that being a permanent payment structure, or letting them go to the commission structure" later. At this point, he notes, firms are trying this to see how it's received. "They're all playing this by ear," he observes.

But adjusting compensation packages is not all the industry is doing; it's also developing new ways to support young advisors. For instance, the National Association of Insurance and Financial Advisors has formed a Young Advisors Team (YAT). Its mission is to inculcate the value of membership in the organization with new and young advisors. More importantly, YAT seeks to empower young financial advisors to, as it puts it, "survive their first years in the business" and become successful and thriving advisors.

Hope Amid Change

So there is hope for the industry after all. Its members appear to be aware of the need to shift gears and do more to attract and build new advisors. And comments by TRAU's Chalk indicate that there is some movement in adding younger people to the ranks of financial advisors; he said that "there are a lot of individuals that I would estimate to be about 55 [years of age] and over," but he also said that there are "a lot of individuals 35 and younger."

And firms are putting out the welcome mat for college grads with degrees relevant to the industry. Katz says of the graduates who studied financial planning at Texas Tech, "We have no problem placing students. Our kids come out with a degree under one arm and four job offers under the other."

So if there is not yet a new face at the water cooler, there very well could be in the not-too-distant future.