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Developing & Maintaining Client Trust & Commitment in a Rapidly Changing Environment

Chapter 3: Participant Profiles



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The Money Quotient Research Consortium (MQRC) was formed to support the scholarly initiatives adopted by MQ Research & Education™ (MQRE), a 501(c)(3) non-profit organization founded on the belief that a multi-disciplinary, evidenced-based approach to financial planning, education, counseling, and therapeutic processes will clarify best practices and promote successful client relationships. To this end, MQRE facilitates innovative studies; forms collaborations with researchers, scholars, and practitioners; and provides learning opportunities that facilitate a deeper understanding of both the emotional and practical factors that promote financial well-being and life satisfaction.

About the Co-Authors



Carol Anderson is the President of MQ Research & Education™ and founder and Vice President of Money Quotient, Inc. She has an M.S. in Consumer Economics & Family Resource Management and a diverse background in business, education, and financial services. Since 1989, Carol has focused on the issues of financial planning education, retirement preparation, life planning, and productive aging. As a researcher, writer, and consultant, Carol has worked with a broad range of companies and non-profit organizations in designing studies, conducting analyses, and compiling research reports. In addition, Carol has written articles, developed publications, and designed educational tools, materials, and training workshops. She is a member of the Financial Planning Association, Association for Financial Counseling & Planning Education, and Financial Therapy Association.



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In addition to research leaders Anderson, Sharpe, McCoy, and Lawson, the MQRC includes notable academicians and practitioners Thom Allison, CFP®, Founder of Allison Spielman Advisors and MQ University faculty member; and Josh Harris, CFP®, AFC®, Department of Finance Clemson University.

Chapter 3: Participant Profiles

I. Overview

To obtain responses from a broad section of financial planning professionals, we utilized several avenues of outreach to the practice community. The Financial Planning Association® (FPA®) announced the study to their membership and encouraged their participation. When the survey launched, FPA® sent their members an email that explained the purpose of the survey, invited them to participate, and provided a direct link to the web-based planner survey. Members of other professional organizations including Money Quotient, Kitces.com, and XY Planning Network also received invitations to participate. Finally, FPA® and the Financial Therapy Association posted an invitation to participate and a direct link to the planner survey on their social media outlets. Planner data collection took place May 25th through June 15th of 2021 and yielded a convenience sample of 352 usable surveys. The response rate for the planner survey was 11.08%, a rate comparable to other research that surveyed financial planners¹.

At the end of their electronic survey, planners were asked to help obtain client perspectives by inviting five or more of their clients to participate in the client component of this research. To extend that invitation to their clients, planners were directed to copy a link provided at the end of their own survey and paste the copied link in an email that they sent to their clients. For convenience, the research team provided planners a pre-scripted client email that they could download by clicking a link provided at the end of their survey. The link that planners sent to their clients was unique, enabling pairing of planner and client data for research purposes. Use of a random number generator to create the links preserved study participants' anonymity and confidentiality. To encourage client participation, the first 340 clients to complete the survey had the option to receive a \$50 Amazon gift card or a \$50 charity gift card for donations to the charity of their choice. Client data collection took place May 25th through June 15th 2021 and yielded a convenience sample of 429 usable surveys. Since the planner participants extended the invitation to their clients, the total number of clients who actually received invitations is unknown. Consequently, it was not possible to calculate a response rate for the client survey.

II. Planner Respondents

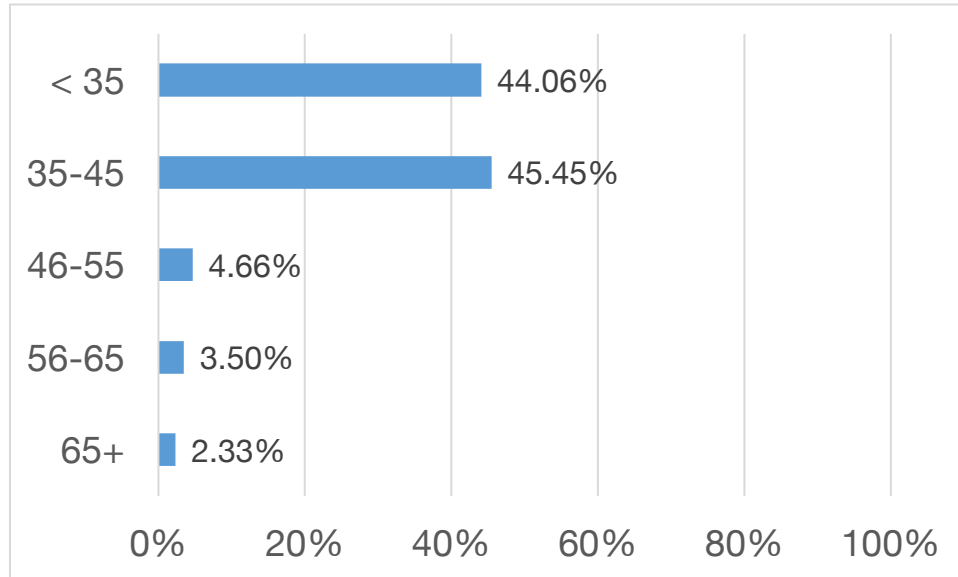
The demographic characteristics of the financial planners who participated in the survey *Developing & Maintaining Client Trust & Commitment in a Rapidly Changing Environment* are given in this section. Where relevant, comparisons are made to our 2006 study.

A. Demographics

In general, we found the age distribution of the planners who participated in this study somewhat skewed toward the young (see Figure 3-1). Over half of the planner sample could be considered young professionals, with 26% under 35 and 30% between ages 35 and 45. Nearly one-third (34%) of planners were between 46 and 65, and another 10% were over 65 years old. In

comparison, in our 2006 study, over one-half (54.8%) were between 46 and 64, and another 3.4% were over 65 years old. Another 29.2% were between 35 and 45, and 13% were under 35 years of age.

Figure 3-1: Planner Age Distribution

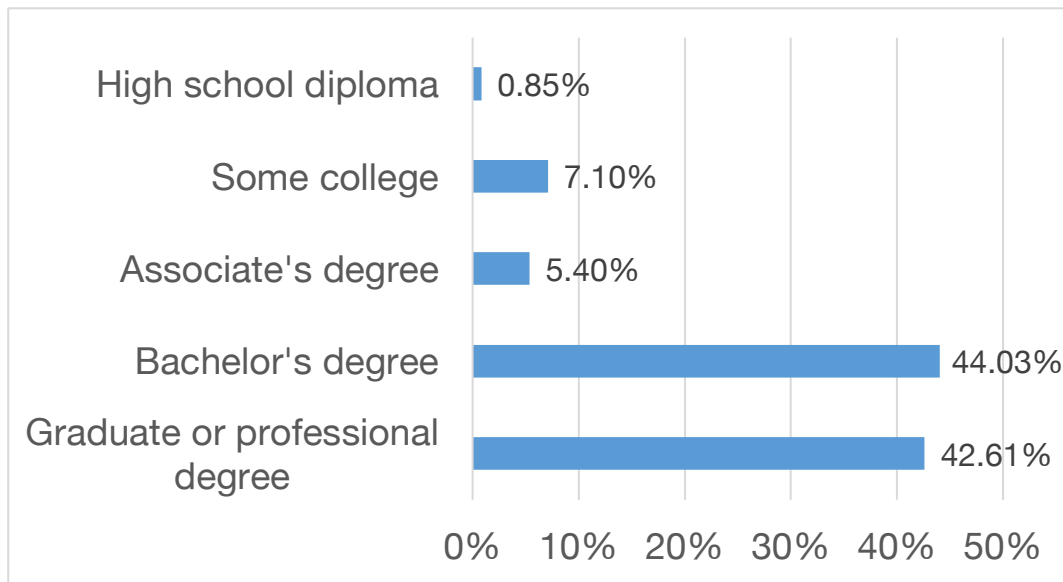


Several factors may have contributed to the relative youth of our current sample. Since our first survey, the Certified Financial Planner Board of Standards, Inc. has made a concerted effort to increase awareness of the value of the CERTIFIED FINANCIAL PLANNER™ designation. The number of their university education partners has grown, which has helped increase the number of young professionals. Research indicates that younger people are more likely to participate in online surveys.² Also, a few of the organizations that helped disseminate the participation invitation to planners predominately serve young professionals (e.g., XY Planning Network).

Planners were well educated. Virtually all of the planner respondents had completed some higher education (see Figure 3-2). Close to half had earned a Bachelor's degree (44%). Almost as many (42.61%) had earned a graduate or professional degree. This distribution was relatively comparable to that found in our first survey, where 48.9% had earned a Bachelor's degree and the remainder had earned a graduate or professional degree.

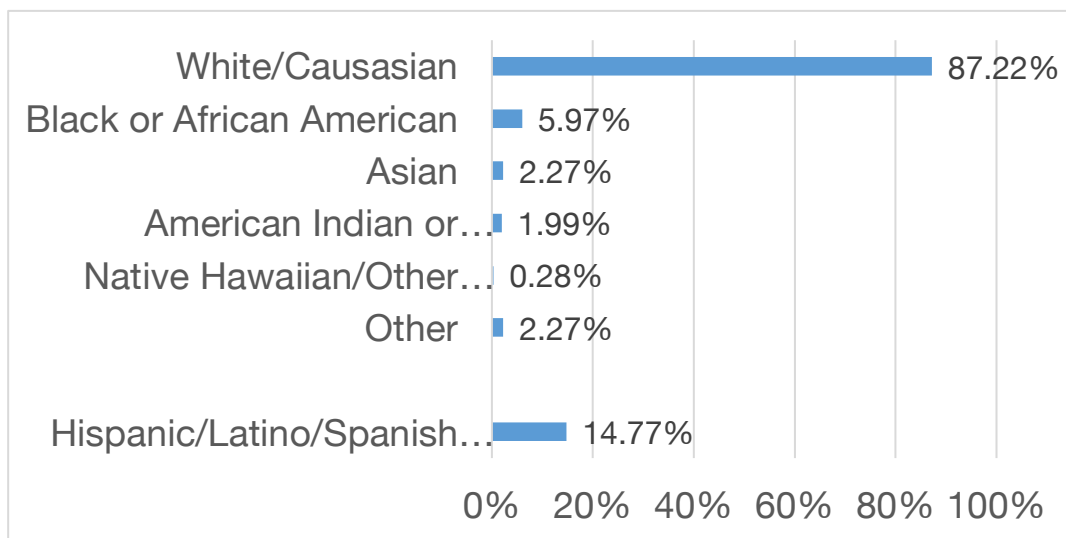
Nearly two-thirds (62%) of the planner respondents identified as male, and a little over a third identified as female (38.07%). One respondent identified as "non-binary/third gender." A majority of planner respondents reported their sexual identity/orientation as "straight" (93.70%), 13 respondents identified as Lesbian, five respondents as Gay, two respondents as Bisexual, and two respondents as Queer. These results reflect greater diversity than our prior survey, where 73% of respondents were male, and 27% were female (no other options were given). The higher percentage of female respondents in this survey may be due to recent concerted efforts in the profession to increase the number of female financial planners.

Figure 3-2: Planner Education



Similar to our initial survey, planner respondents to the current survey were not greatly diverse in race or ethnicity (see Figure 3-3). The majority identified as White/Caucasian (87.22%). Almost 6% identified as Black or African American. Other identifications were Asian (2.27%), American Indian or Alaska Native (1.99%), Native Hawaiian/Other Pacific (0.28%), and “Other” (2.27%). Close to 15% of the sample were of Hispanic, Latino, or Spanish origin.³

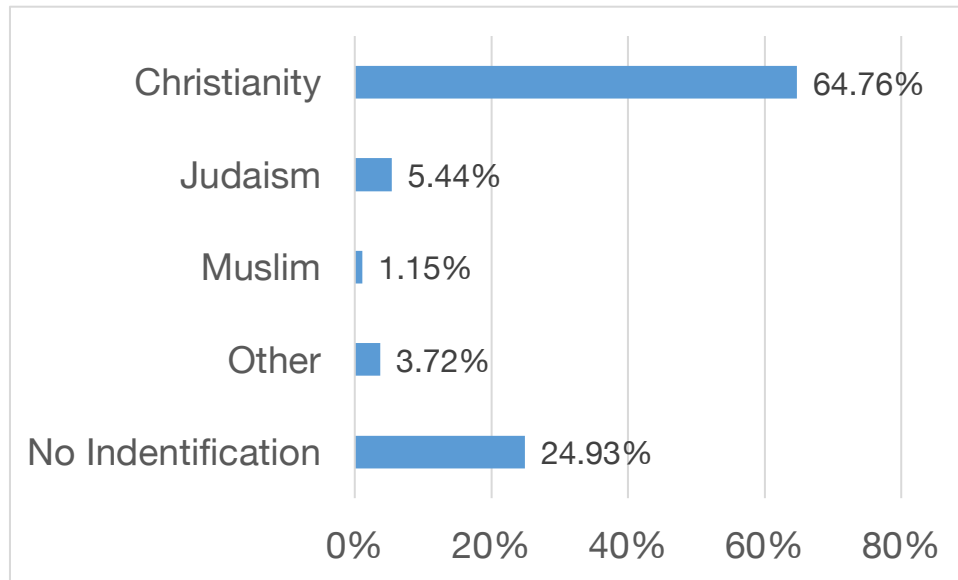
Figure 3-3: Planner Race and Ethnicity



Planners were asked some lifestyle questions in this survey that were not asked in our prior survey. Religious affiliation was largely Christian (64.76%), although the next largest group had no religious affiliation (24.93%). About 5% of the planner respondents were affiliated with Judaism, 1.15% were Muslim, and 3.72% had some other religious affiliation (e.g., Hindu, Quaker, Baha'i, Unitarian Universalist, atheist). See Figure 3-4.

Eighty percent of planner respondents were married; 4.84% were cohabiting. Nearly 10% were single, 1.42% were separated, 2.56% were divorced, and just under 1% were widowed.

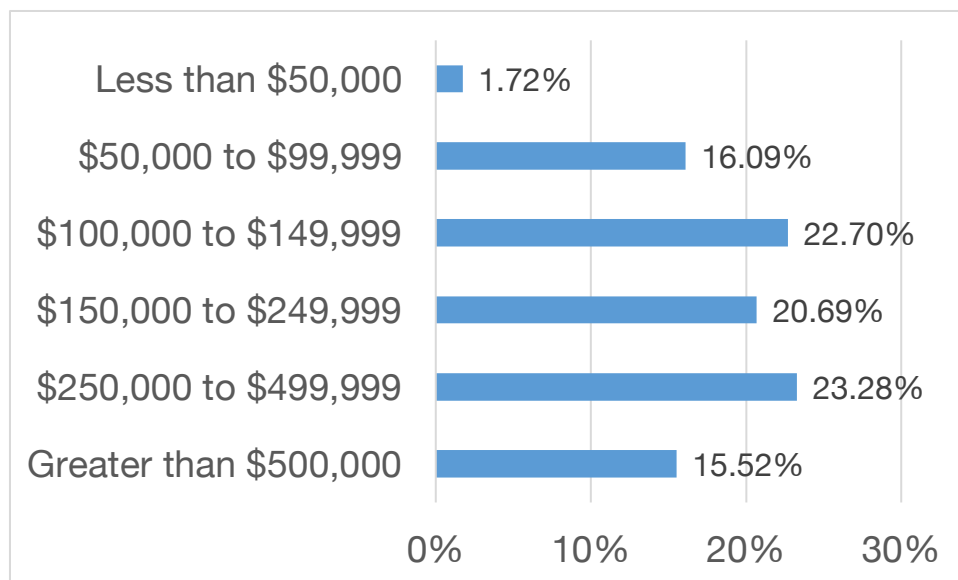
Figure 3-4: Planner Religious Affiliation



B. Before-Tax Annual Income

Annual before-tax household income of planner respondents was relatively high, with about third of the group reporting income of \$250,000 or more (23.28% \$250,000 to \$499,999; 15.52% greater than \$500,000). A little under a fourth of the sample (22.70%) reported income between \$100,000 and \$149,999, with the remainder reporting annual income below \$100,000 (1.72% less than \$50,000; 16.09% \$50,000 to \$99,000). See Figure 3-5.

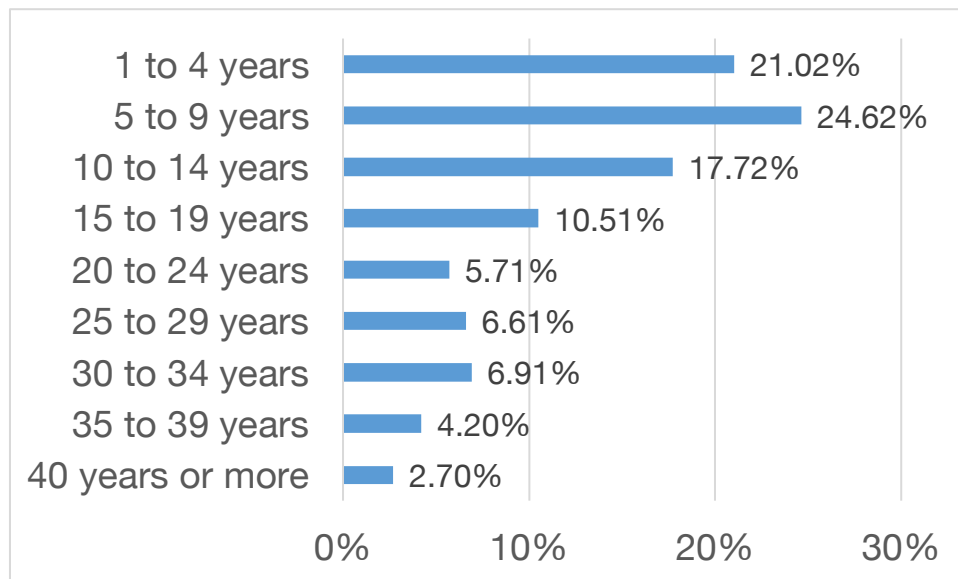
Figure 3-5: Planner Annual Before-Tax Household Income



C. Professional Experience

The number of years as a financial planner ranged between 1 to 43 years. The median number of years was 10, with a mean of 14.03. About a fifth of the sample (21.0%) were new to the industry with less than 5 years of experience (see Figure 3-6). About a fourth of the sample (24.6%) had between 5 and 9 years of experience. The majority of respondents had more than a decade of experience (17.7% had 10-14 years, 36.6% had 15 years or more). These results differ somewhat from our prior sample, where 4% had worked as a financial planner less than a year. Nearly a fifth (21.3%) had worked 3 to 5 years, 23.9% had worked 6 to 9 years, and 17.9% had worked 10 to 14 years. The remaining 33% had been financial planners for 15 years or more.

Figure 3-6: Planner Experience

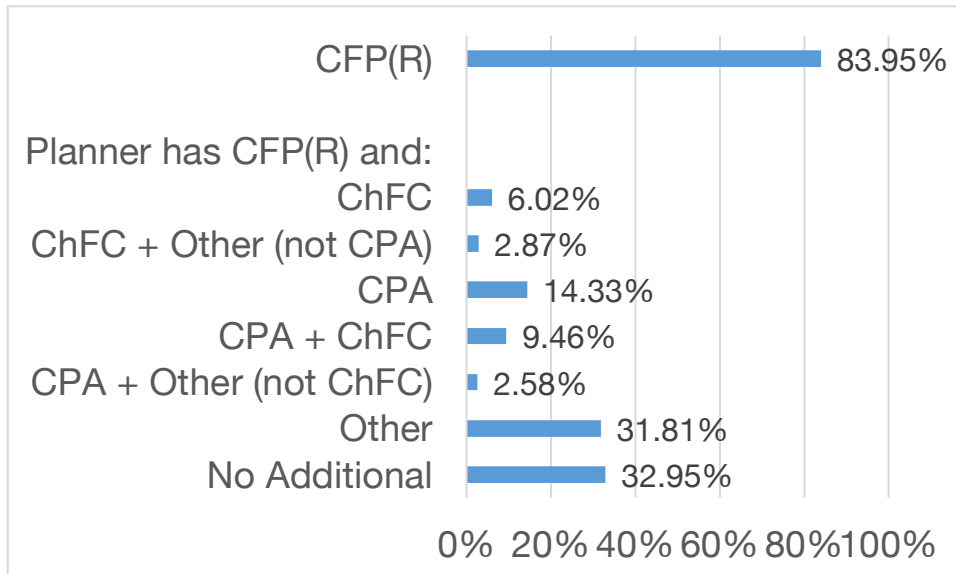


D. Professional Designations

As expected, most planners who participated in this study held the CFP® designation (83.24%). Some CFP® professionals held other designations; 15% were also CPAs, 6.5% were also ChFCs, and 28.5% indicated “Other.” Some of those reporting not being a CFP®, may have been awaiting completion of all requirements to use the marks. Others were CPAs (8.4%), ChFCs (3.0%), or held a different designation (47.5%) or multiple designations (8.4%). See Figure 3-7.

Among those reporting “other” as a designation, a surprising amount of variation emerged with a report of 75 different accreditations (e.g., Accredited Asset Management Specialist), certifications (e.g., Certified Retirement Plan Counselor), degrees (e.g., MBA), or licensures (e.g., Series 6). The most frequently reported other designations were Chartered Retirement Plan Counselor (CRPC, n=14), Certified Divorce Financial Analyst (CDFA, n=13), Accredited Investment Fiduciary (AIF, n=11), or Enrolled Agent (EA, n=10).

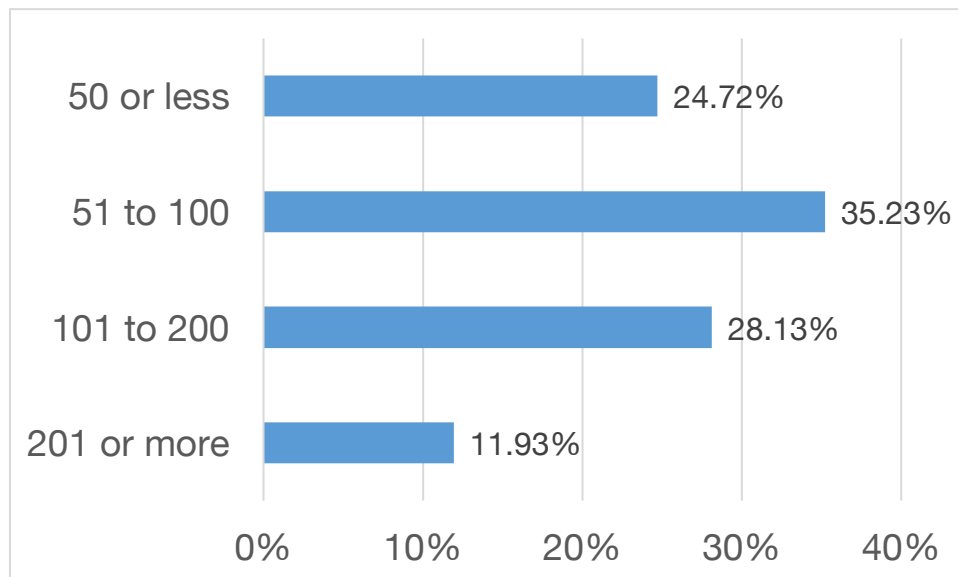
Figure 3-7: Planner Professional Designations
Number holding CFP® designation and number holding additional certifications or licenses



E. Clients and Compensation Structure

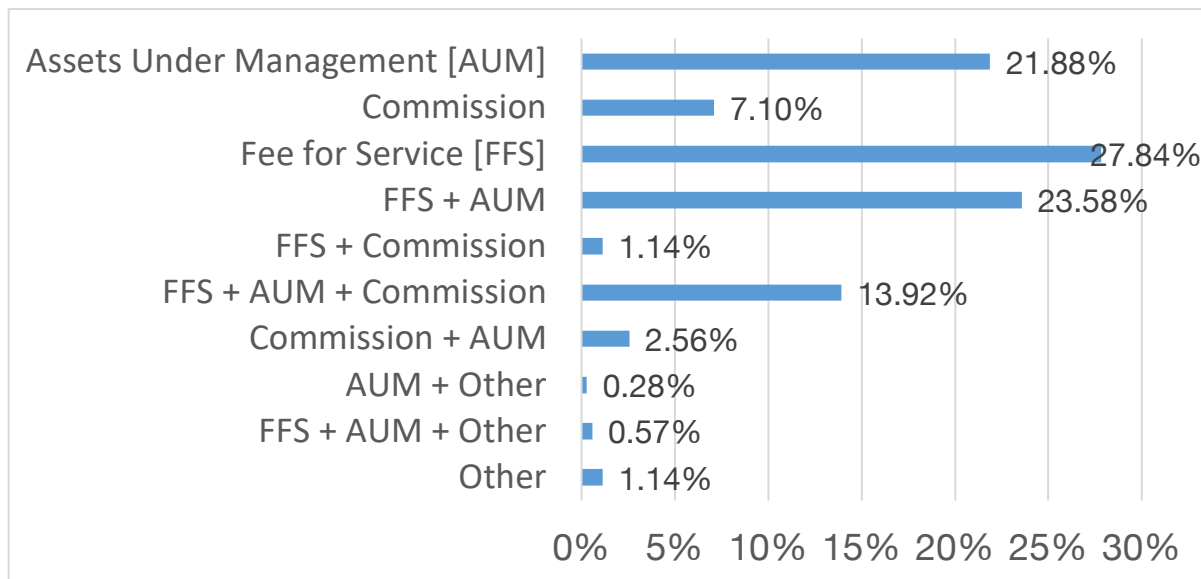
In general, the planners worked with a modest number of clients: 24.72 % had 50 or fewer clients, 35.23% had 51 to 100. Of the remainder, 28.13% had 101-200 clients, and 11.93% had 201 clients or more (see Figure 3-8).

Figure 3-8: Number of Clients



Financial planners typically base their compensation on either exclusive use of fees for service, commissions, percentage of AUM, or some combination of those options (see Figure 3-9). A little over half of the planners in this survey used a single form of compensation: 27.84% charged a fee for service, 21.88% used AUM, and 7.10% relied on commissions. Among those using more than one form of compensation, most added that additional form to fee-for-service. Almost a fourth of respondents used fee-for-service and AUM (23.58%). Just over 1% used fee-for-service and commissions. Close to 14% used commissions and AUM in addition to fee-for-service. About 3% used commissions and AUM. The remaining 2% of planners combined some other form of compensation (e.g., subscription fee, salary, retainers) with either fee-for-service or AUM.

Figure 3-9: Planner Compensation



III. Client Sample

The following information describes the financial planning clients who participated in the 2021 survey *Developing and Maintaining Client Trust and Commitment in a Rapidly Changing Environment*.

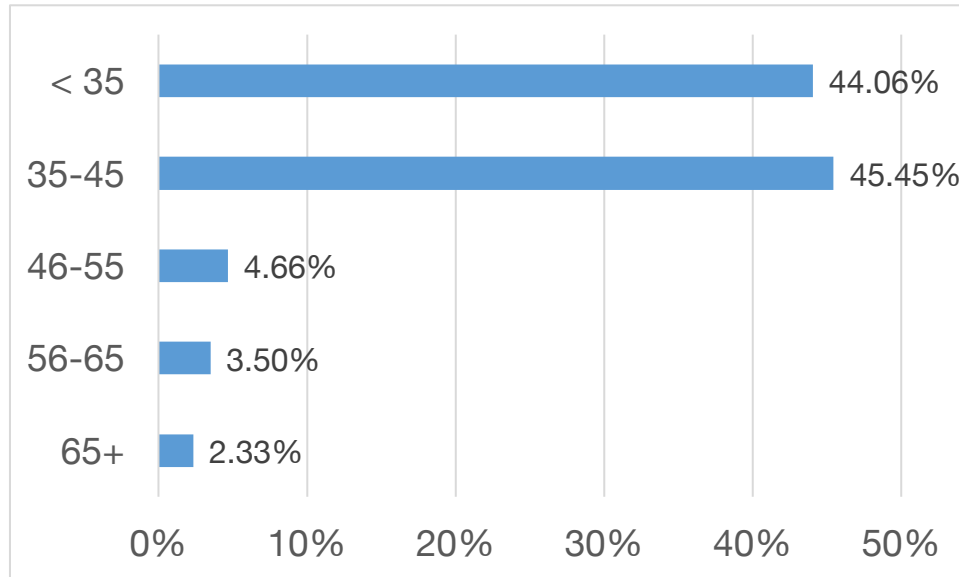
A. Demographics

The age distribution of the clients skewed toward young adulthood and early mid-life (see Figure 3-10), which may reflect increased public awareness of the benefits of working with a financial planning professional. Forty-four percent were under age 35; 45% were age 35-45. Only about 10% of the sample would be preparing for or in retirement (5% were age 46 to 55, 4% were 56 to 65, 2% were over age 65). These results differed from our 2006 survey where only 5.3% of clients were younger than age 35, and 13.2% were between age 35 and 45. Most of the clients in the prior sample were older; 56.1% were age 46-65, and 25.4% were over age 65.

Most of the individuals who responded to the client survey identified as male (53.85%), and the remaining 46.15% identified as female. Most client respondents reported their sexual

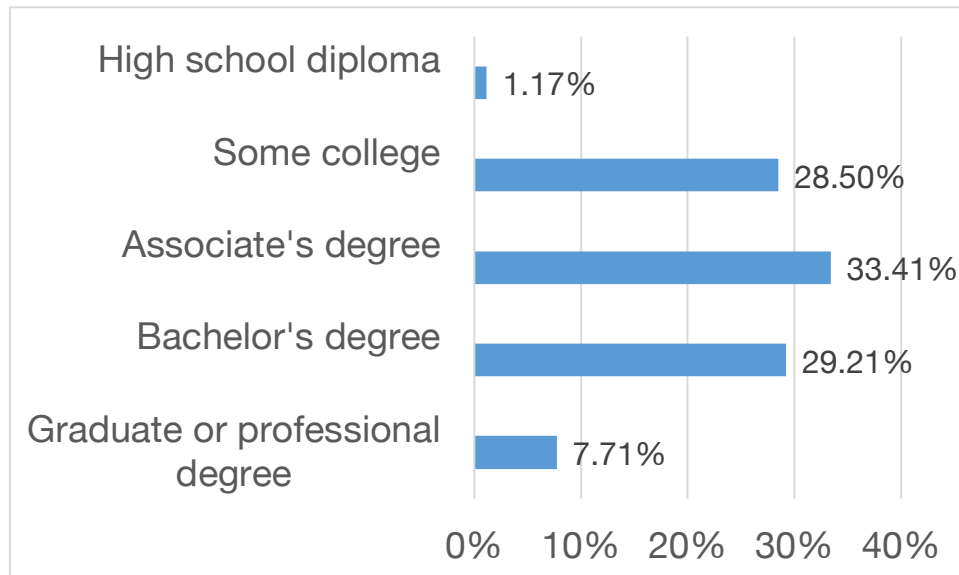
identity/orientation as “straight” (85.98%). About 10% of the sample identified as Bisexual, and 3% identified as Gay. Less than 1% identified as Lesbian, and none identified as Queer. Results from our 2006 survey were less diverse, with 68.1% identifying as male, 31.9% identifying as female (no other options given).

Figure 3-10: Client Age Distribution



The client sample was highly educated (see Figure 3-11). Over a fourth had completed some college (28.50%). Close to one-third had earned an Associate’s degree (33.41%); 29.21% had a Bachelor’s degree. Close to 8% had earned a graduate or professional degree.

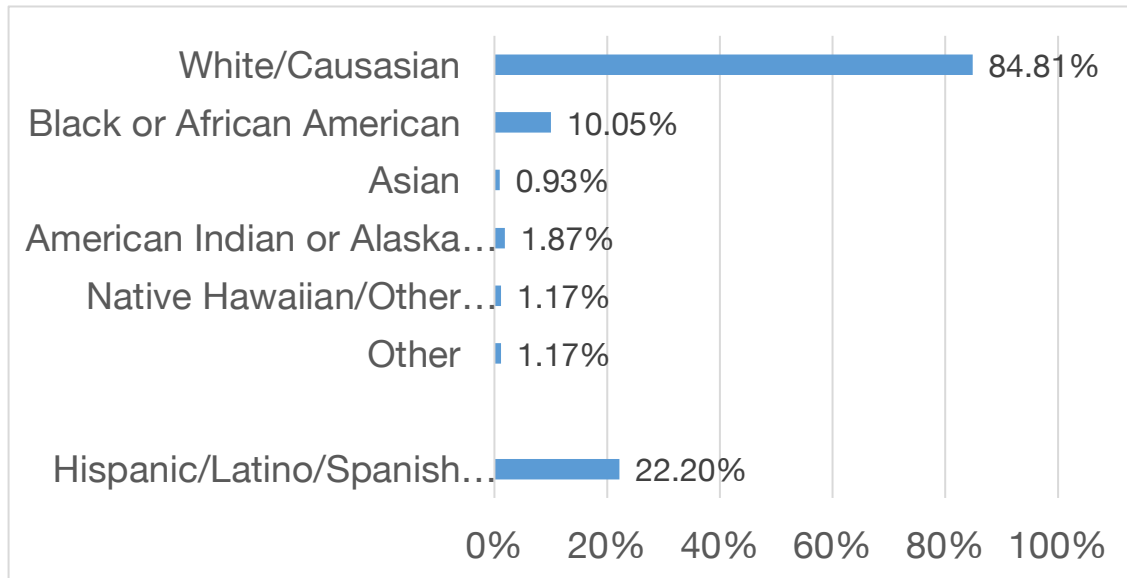
Figure 3-11: Client Education Level



The client sample was not very racially diverse (see Figure 3-12). The majority identified as White/Caucasian (84.81%). Ten percent identified as Black or African American. Other

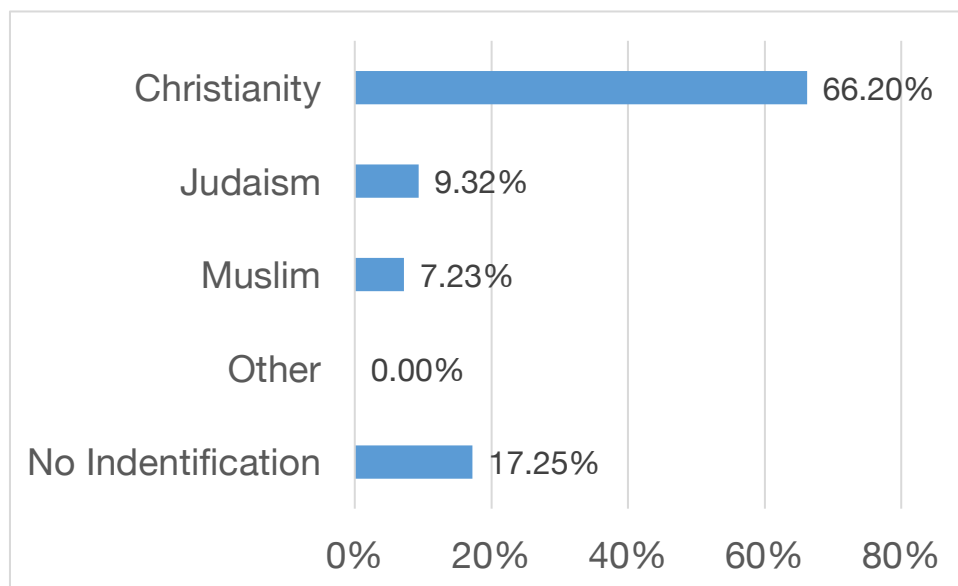
identifications were Asian (0.93%), American Indian or Alaska Native (1.87%), Native Hawaiian/Other Pacific (1.17%), and “Other” (1.16%). Close to a quarter of the sample (22.20%) were of Hispanic, Latino, or Spanish origin.

Figure 3-12: Client Race and Ethnicity



Religious affiliation was largely Christian (66.2%), although the next largest group had no religious affiliation (17.25%). About 10% of the planner respondents were affiliated with Judaism, 7.23% were Muslim, and none reported any other religious affiliation (see Figure 3-13).

Figure 3-13: Client Religious Affiliation

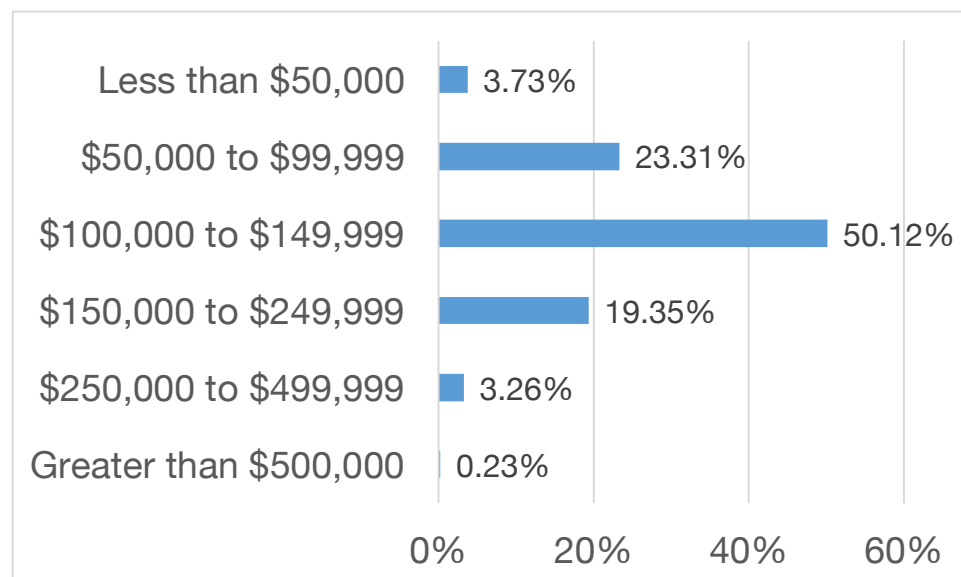


Most client respondents were married (83.22%). Less than 1% were engaged; 7.46% were cohabiting. Three percent were divorced, 1.17% reported being separated, about 1% were widowed, and 4.20% were single.

B. Before-Tax Annual Income

Most clients reported rather modest levels of annual income (see Figure 3-14), likely due to the large proportion of respondents who were still in their career-building years. Three percent of the client group had annual incomes under \$50,000. Less than a fourth of the sample (23.31%) had income between \$50,000 and \$99,999. Half (50.12%) had income between \$100,000 and \$149,999. About a fifth (19.35%) had income between \$150,000 and \$249,999. Only slightly over 3% of client respondents reported before-tax annual income of more than \$250,000.

Figure 3-14: Client Annual Household Income Before Taxes



¹ Christensen and DeVaney.1998.

² Bethlehem, Jelke. 2010. "Selection Bias in Web Surveys." *International Statistical Review*. 78(2): 161-188
and Zwarun, Lara, and Alice Hall. 2014. "What's Going on? Age, Distraction, and Multitasking During Online Survey Taking." *Computers in Human Behavior*. 41: 236-244.

³ Note, these numbers do not equal a 100% as Hispanic/Latino/Spanish ethnicity was surveyed separately per best practice guidelines.