

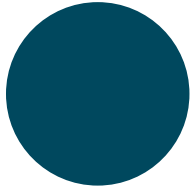


The Business of Financial Advice – Challenges to Making an Aging Profession Younger

FPA Norfolk, September 2022

Lisa Crafford, Director, Head of Business Consulting

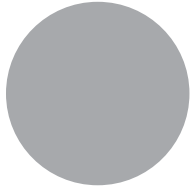
Industry Overview



Market Size:

17, 650 RIA firms | \$6.6T in AUM

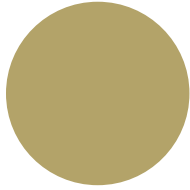
36% of RIA advisors due to retire in 10 years | \$2.4T in motion



Advisor Age:

30% of advisors in RIA community are under 45 years of age

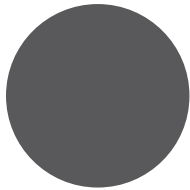
Advisors over the age of 65 manage 13% of RIA assets



Client Age:

32% are 60-69 years old

Only 10% are under the age of 40

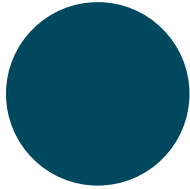


Changes in Advisory:

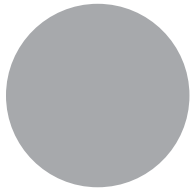
Shift to fee only

M & A Driving broad changes

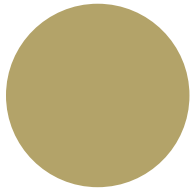
• Cerulli Associates, State of the RIA Marketplace, 2021



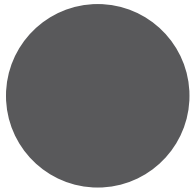
Lack of Diversity:
23% of CFP® are women
9% are diverse (Asian/Pacific Islander, Latino/Hispanic, Black/African American)



Future Trends:
Business Model Convergence | Investor Influence
Democratization of Access | Wealth Transfer



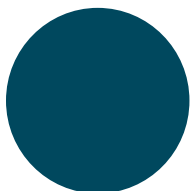
Service Expansion:
19% adding Trust Services | 17% adding digital advice
16% adding lifestyle/concierge



Advisors Increasing Services, not Fees:
Profit margin compression | 37% RIAs charging separately for Fin Plan
101bps average fee for \$750k client

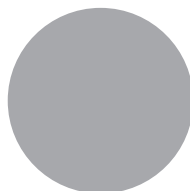
• Cerulli Associates, State of the RIA Marketplace, 2021, CFP® Board

How is advice changing?



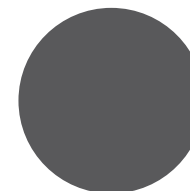
Practices to Businesses

- Firms are adding new services
 - Trust services
 - Digital/Robo
 - Lifestyle/concierge
- Firms are professionalizing
 - Common growth positions include professional management, legal, marketing, data and technology roles



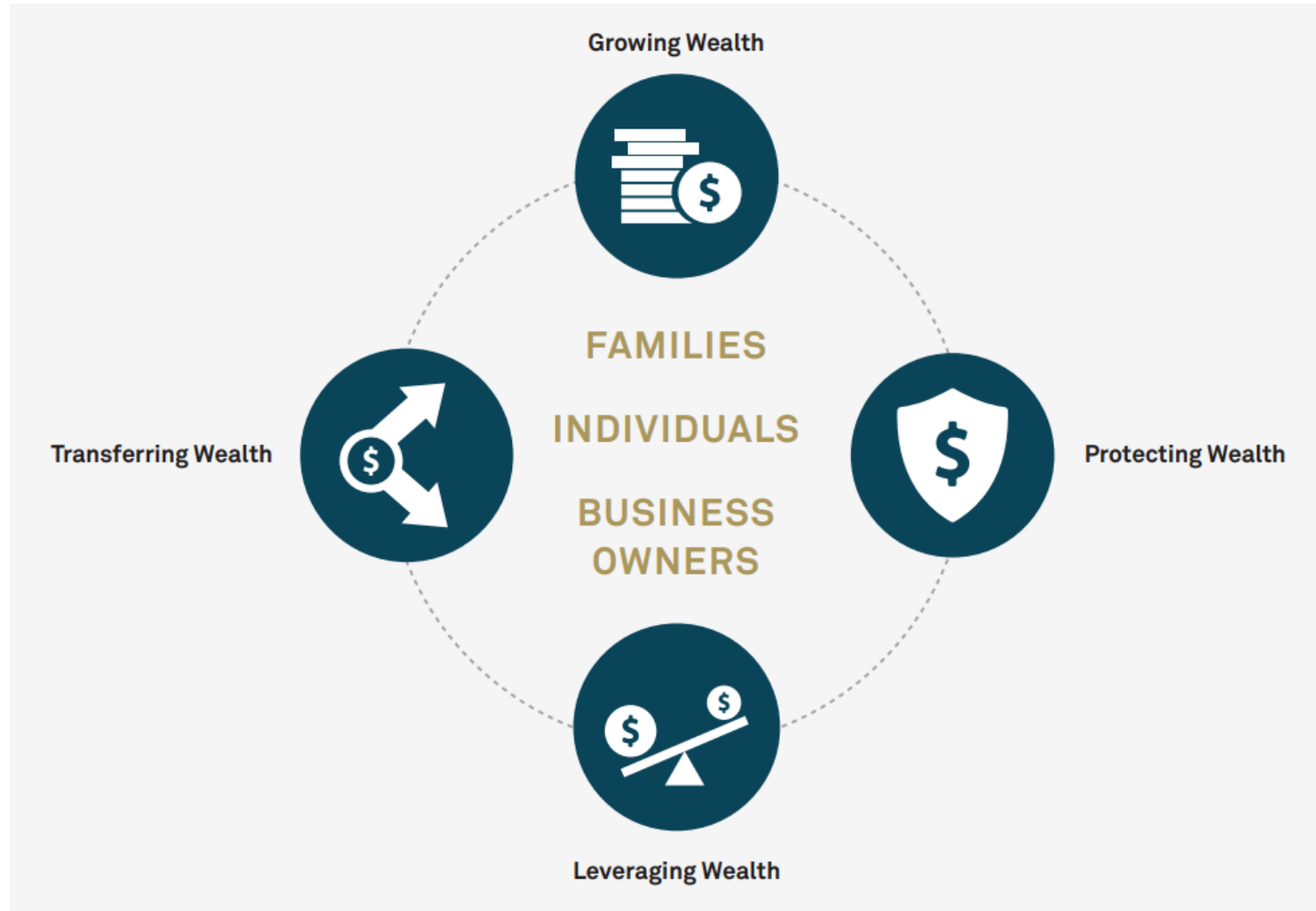
Education

- Now over 200 schools offering certified CFP® degrees and certificates
 - Growing number of masters and PhD level programs
- Students are graduating with internships and hands on experience with leading advisor technology
- Increasing number of high school financial literacy programs – driving talent and awareness of financial planning



New clients

- Do new client demographics drive client experience or does advisor drive CX with expertise and interest?
- New digital platforms and platforms reducing barriers to entry and costs – driving access to mass affluent and non-affluent communities
 - Increasing number of pro bono solutions such as Foundation for FP and Advisors Give Back
- Increasing HNW and UHNW clients moving to advisory

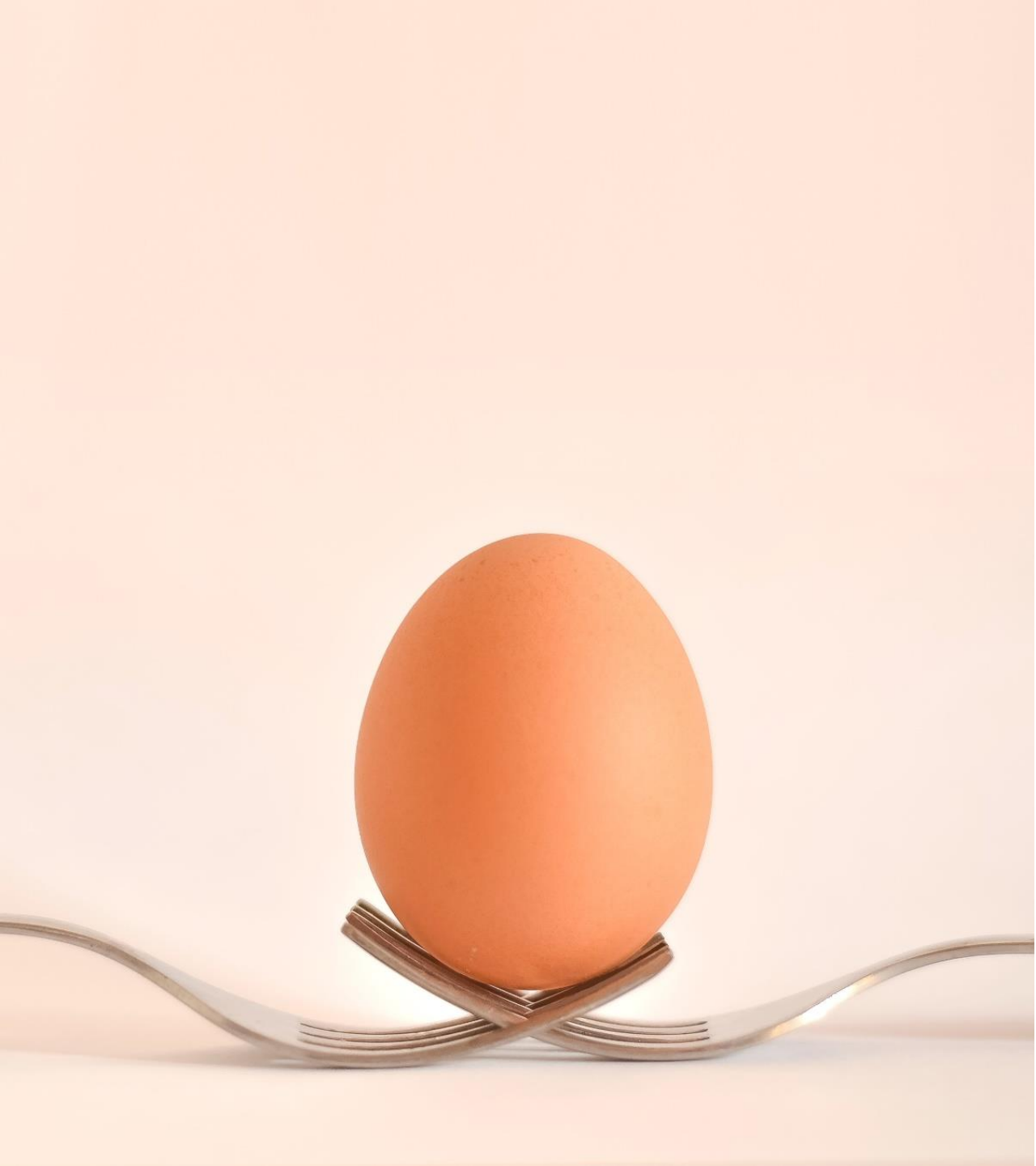


Driving Growth Through Multigenerational Relationships, Pershing 2021

How to make the profession younger, and why it matters.

What do we need?

Younger Clients or Younger Staff



Why is it a challenge?

College graduates not pursuing a career in
financial services

Why is it a challenge?



87%

of investors do not use their
parents' advisor



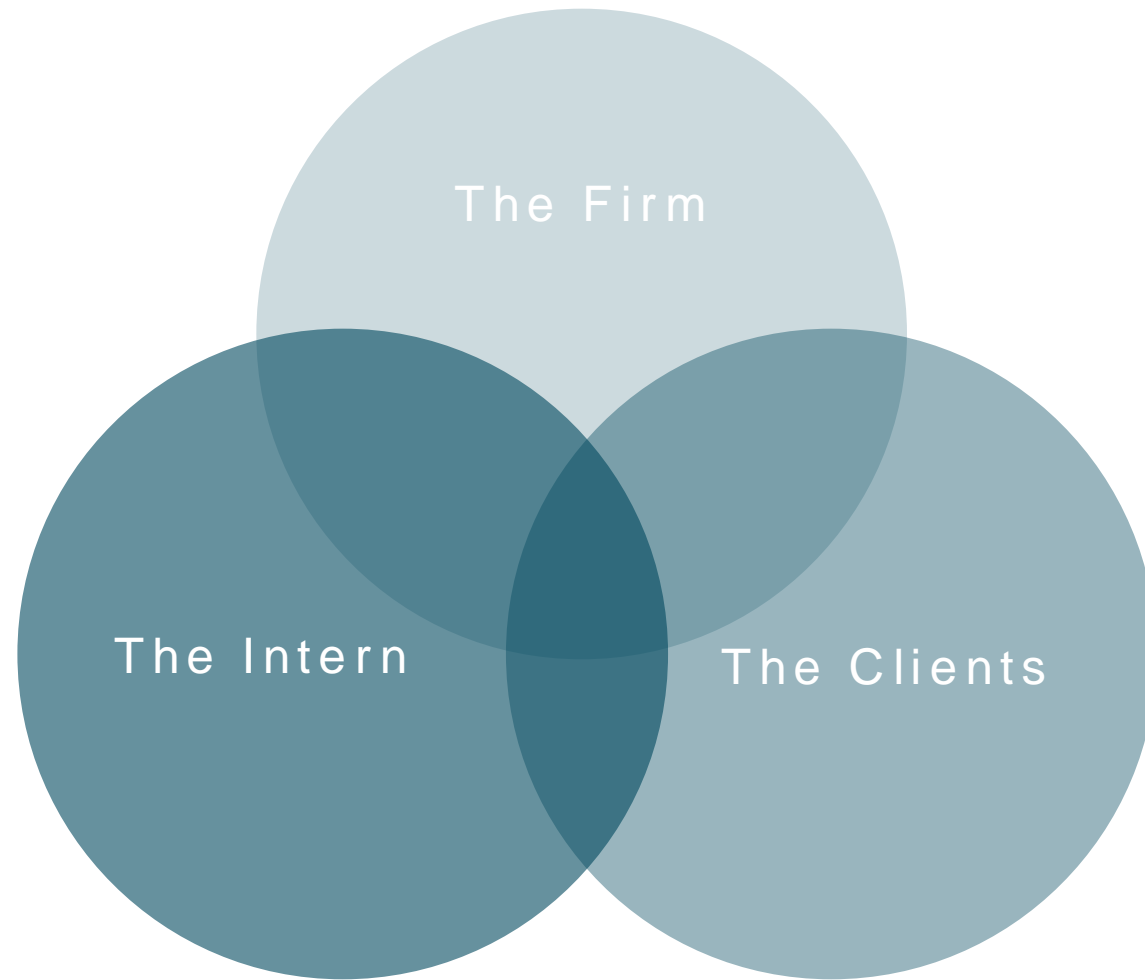
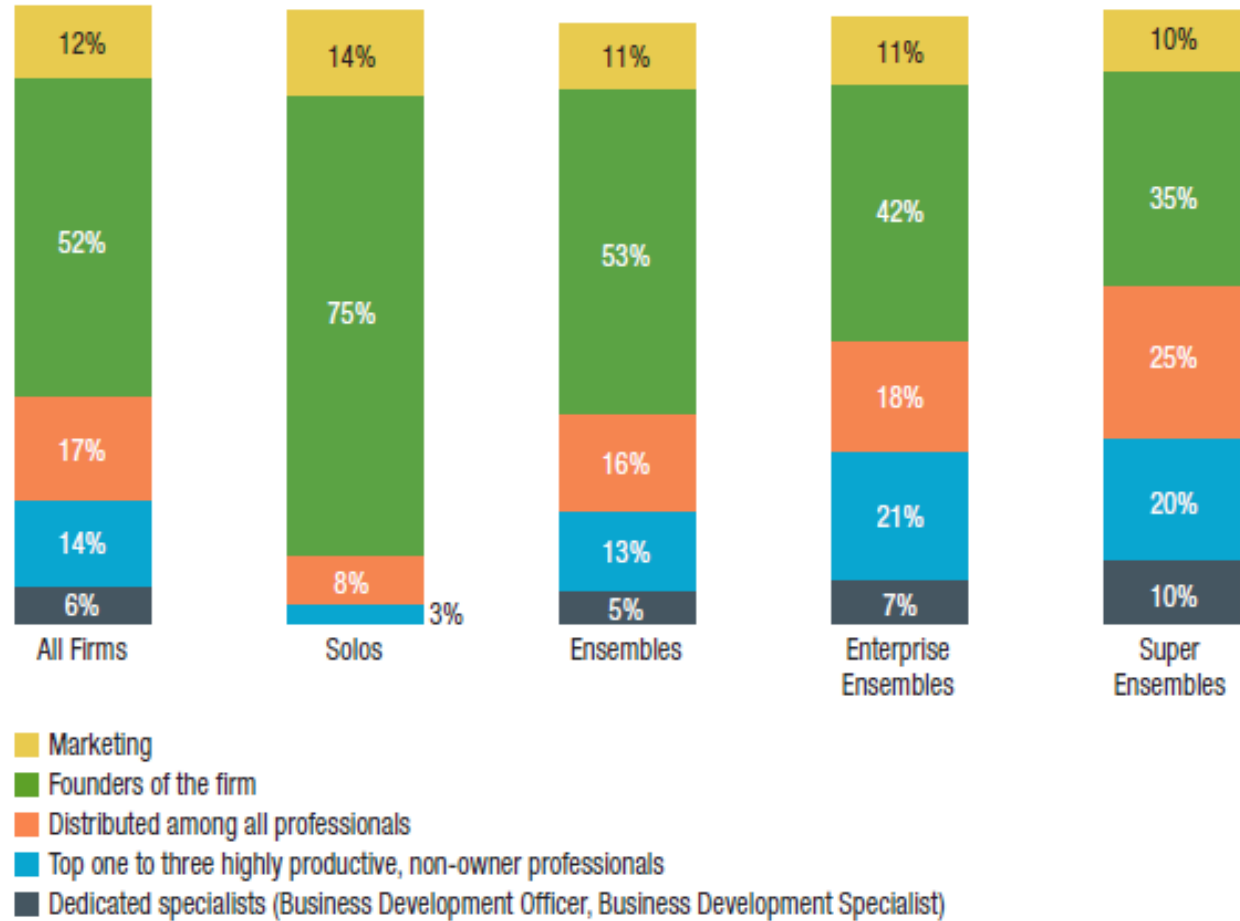


Figure 13: Estimated Sources of New Business by Firm Size



Source: *InvestmentNews* Pricing & Profitability Study 2020

FOR EACH

1



3

PERCENTAGE
POINT
INCREASE IN
DIVERSITY

PERCENTAGE
POINT
INCREASE IN
REVENUE

Source: Decoding Diversity, (see footnote 16).

FOR EACH

1



.35

PERCENTAGE
POINT
INCREASE IN
DIVERSITY

PERCENTAGE
POINT
INCREASE IN
OPERATING
MARGIN

Source: Decoding Diversity, (see footnote 16).

Quitter's Market

Many factors have led to the historic quits levels—the ongoing pandemic, vaccine mandates and a strong candidate's market are just some considerations that may be leading more workers to put in their notice. The last 10 months of 2021—since March—saw the largest exodus of employees on record. **Hover over each line to see more details about the year and how many workers quit each month.**

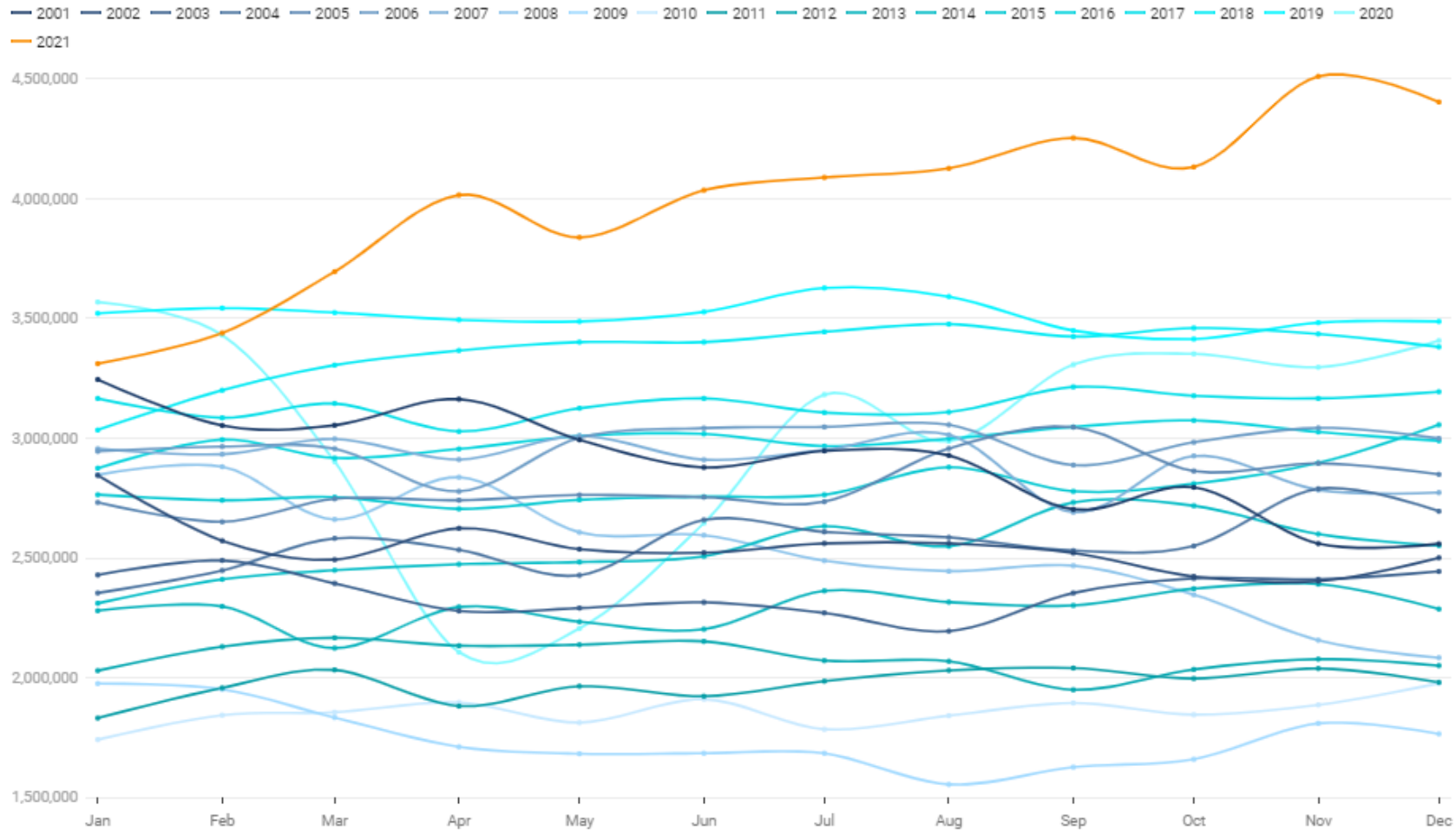


Chart: Mauro Whiteman - Source: U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey. - [Download image](#) - Created with [Datawrapper](#)

What will you do?



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