# Improving Recruitment and Retention Throughout Advisors' Lifecycles

## Uncovering Opportunities and Best Practices Within Banks

May 2023

# Table of Contents



Click on the chapter title or page to jump to that section

## Executive Summary

As the wealth management industry faces the need to offset advisor retirements by attracting new talent and slowing advisor attrition, banks and credit unions should leverage their unique advantages to compete for young and diverse talent while simultaneously finding better solutions for retaining senior advisors.

- The consistent flow of referrals from the traditional bank business represents a highly compelling and unique selling point for joining a wealth management program at a bank or credit union. However, as banks experience declining branch traffic and in-person interactions, they must become more creative in how they convert banking prospects into advisory clients.
- Junior advisors entering the bank channel appreciate the mix of a guaranteed salary with the addition of upside potential as they build their own books while assisting, and being mentored by, senior advisors.
- Technology, succession and retirement planning, and cultural issues are potential risks cited by bank- and credit-union-based advisors that must be addressed to stave off retention and recruiting shortfalls.
- By implementing standardized recruitment strategies and compensation arrangements that appeal to seasoned advisors, banks can more effectively attract and retain experienced and productive advisor talent.
- Offering advanced career path options, including second-story programs, buyout/sunset programs and formalized succession planning, can often promote greater satisfaction, and therefore retention, among firms' most productive senior advisors.


## Methodology

In Q1 2023, Cerulli Associates was engaged by BISA, the leading association dedicated to serving those responsible for the marketing, sales and distribution of securities, insurance, and other financial products and advisory services within the financial institution channel, to publish a white paper highlighting best practices in recruiting, retaining, and developing financial advisor talent within banks and credit unions. For original research, Cerulli conducted 14 interviews with wealth management executives at banks and credit unions to gain insight into advisor recruitment models and retention challenges. In addition, Cerulli interviewed 20 financial advisors at banks and credit unions to provide perspective on affiliation preferences, platform support needs, client service models, technology, compensation and succession planning.

This white paper also draws from Cerulli's industry-leading databases and market sizings, including their financial advisor survey (over 1,500 responses annually), across multiple channels including wirehouses, national and regional B/Ds, independent B/Ds, independent RIAs, hybrid RIAs, retail bank B/Ds and insurance B/Ds. To maintain confidentiality, all information collected for this research is presented in aggregate form, and proprietary survey information is not directly attributed to participants or their firm.

## Foreword

Wealth and investment programs at banks and credit unions are at a critical juncture relative to growth and expansion. These financial institution channels face increasing challenges to redefine missions and pathways while simultaneously retaining their stature of strength, stability and availability. Clearly, wealth programs can more strongly insert their numerous relationship advantages to bring their overall client relationship to the forefront amongst an increasingly diverse competitive landscape of financial entities.

The bank and credit union financial advisor is and will remain the core element of revenue, asset and client expansion. The evolution of financial advisors is rapidly taking place right before our very eyes. It is incumbent upon us all to be an active participant in the advisor evolution so that we can understand the critical drivers for advisor headcount expansion and retention. More importantly, how can we proactively shape the future by providing the most relevant programs and support to attract premier talent to bank and credit union wealth programs?

BISA is pleased to join forces with Cerulli Associates to conduct a new landmark research study that seeks insights into this critical topic. This white paper provides important data, insights and testimonies into the current and future forward state of bank and credit union financial advisors, including practical guidance and best practices on how banks can better attract, develop, and retain financial advisors throughout their lifecycles.

John Olerio

John Olerio
Senior Managing Director, Head of Webster Investments
and Chair of the BISA Research Committee

BISA

# Introduction: State of Bank Wealth Management

Shifting market dynamics and competing advisory business models are putting significant pressure on banks' and credit unions' ability to attract and retain advisors. Competition across the wealth management industry continues to intensify with advisor attrition on the rise and total headcount growth stagnating. While advisor headcount in the bank channel has remained relatively stable, as the average age of the advisorforce rises, banks and credit unions need to consider new approaches for recruiting and retaining younger advisors who can succeed aging advisors as they retire.

This white paper provides practical guidance and best practices on how banks and credit unions can better attract, develop and retain financial advisors throughout their lifecycles.

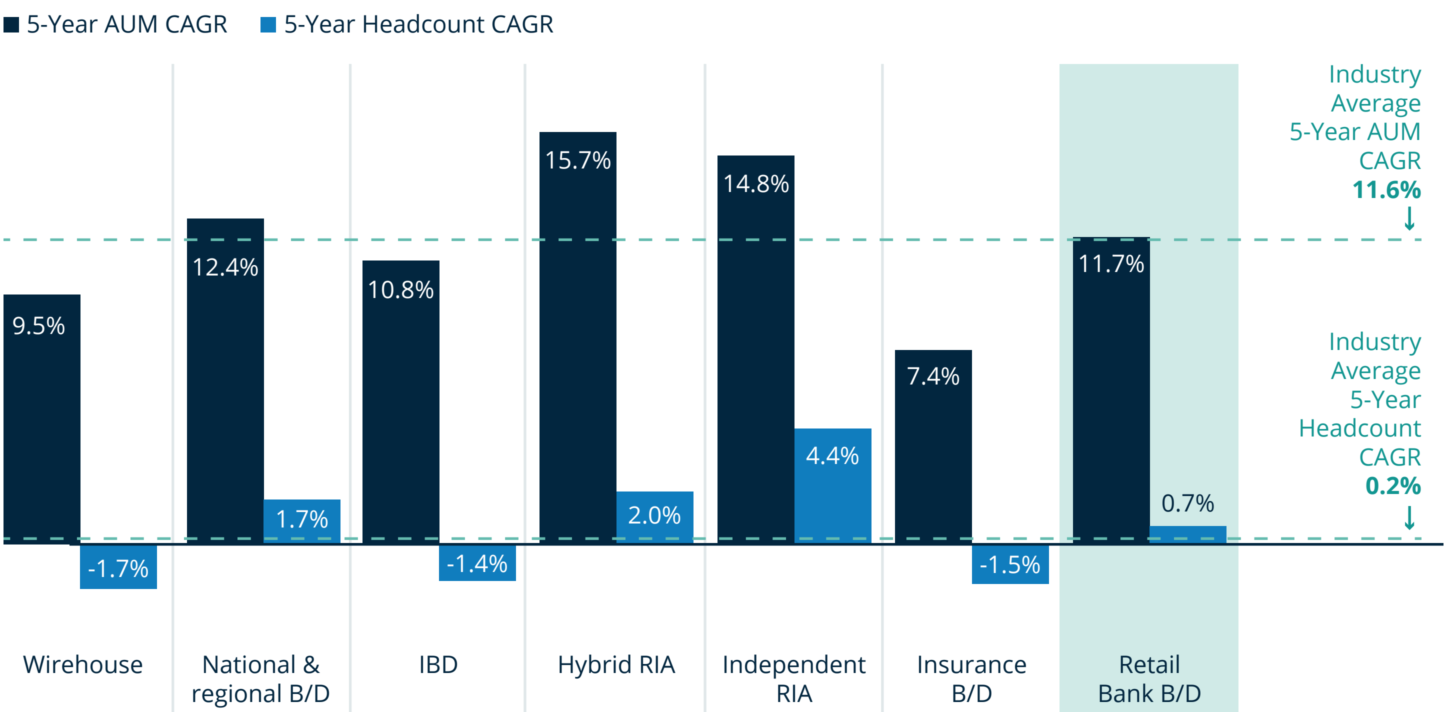
## Competitive Wealth Management Market Environment

**Bank B/Ds' overall marketshare of wealth management assets has remained stable over the past five years, with relative headcount growing slightly at an annual rate of 0.7%.**

With a growing number of aging advisors looking to monetize their business ahead of retirement, many banks and credit unions have neither effectively retained their most experienced advisors, nor attracted a new generation of talent to fill their places. As advisor headcount begins declining, outgoing, retiring advisors will begin to outweigh new advisors coming into the industry. Cerulli estimates that over the next five years, advisor headcount growth will turn negative, emphasizing the critical importance of this issue for bank wealth management programs. Banks and credit unions are facing a shrinking pool of candidates entering the industry and dealing with shifting preferences among new and established advisors, with greater interest in independent affiliation models.

The wealth management industry has witnessed strong growth in the number of advisors affiliated with independent registered investment advisor (RIA) and hybrid RIA firms. These business models offer advisors potentially better economics, greater control over how they run their practices, and the opportunity to own their own business.

**Advisor Headcount and Assets Under Management Growth, 2016-2021**



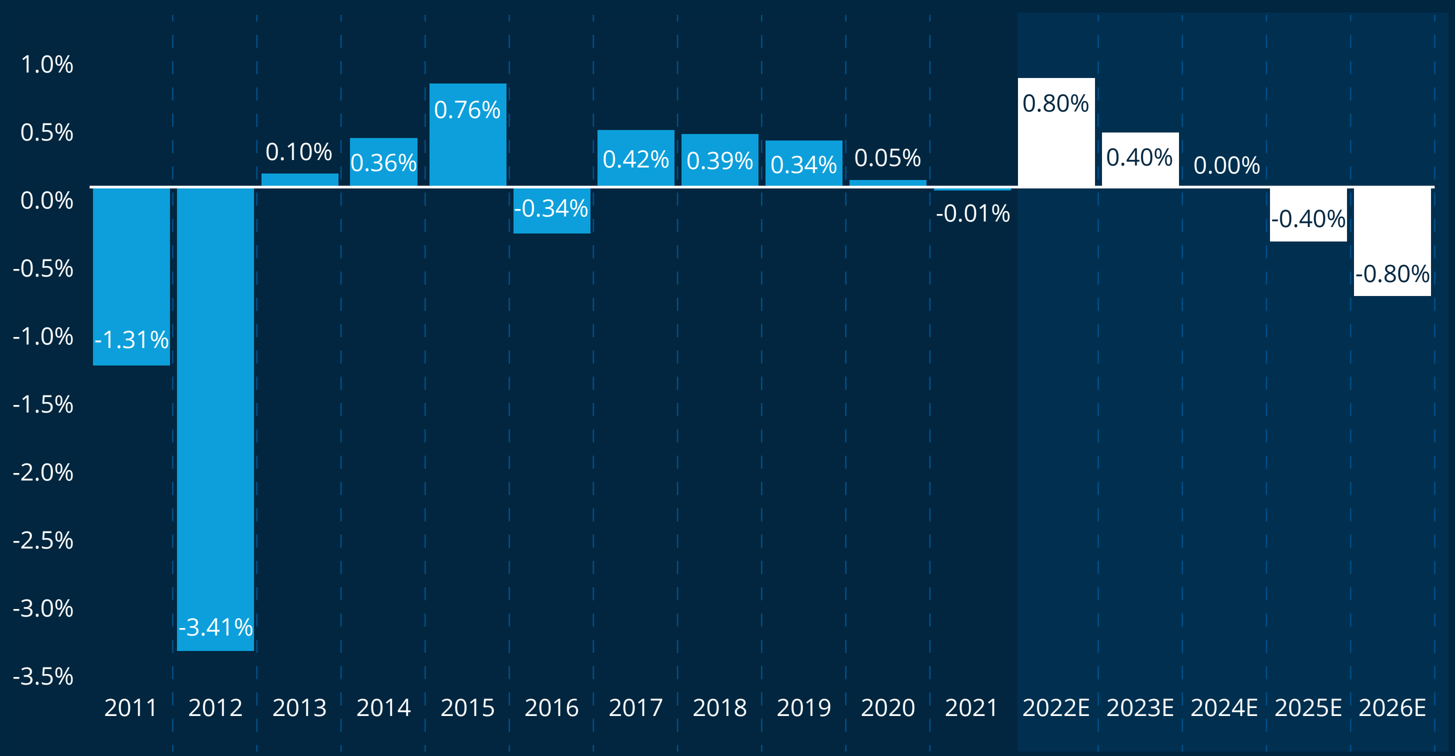

*Sources: Cerulli Associates, Investment Company Institute, Insured Retirement Institute, Morningstar Direct/AnnuityIntelligence, Investment News, Judy Diamond, Department of Labor, PLANSPONSOR, S&P Capital IQ MMD, Financial Planning, Financial Advisor Magazine, and Investment Advisor Magazine*

Hybrid and independent RIAs continue to experience the fastest growth among retail advisor channels over the last five years. According to Cerulli research, the share of advisors who affiliate with an RIA has increased from 16% in 2011 to 25% in 2021, and employee-based channels will continue to cede marketshare to independent firms over the next five years. As the fight for attracting and retaining advisors intensifies, banks are also facing increased pressure on their wealth management units in search of diversified non-interest-rate revenue.

Wealth management remains an attractive business line for banks and credit unions. Despite the volatile interest rate environment, economic backdrop and recent banking events, wealth management divisions remain relatively strong and continue to provide banks with recurring non-interest revenue.

Some banks face increased risk from the deposit side of their business, placing greater importance on wealth management to generate diversified fee-based revenue and broaden client relationships beyond core banking services. As bank executives look to grow their wealth management businesses, the cost of advisor attrition could have significant negative implications for banks' overall bottom lines.

**Advisor Headcount Changes, 2011-2026E**




*Sources: Cerulli Associates, Investment Company Institute, Insured Retirement Institute, Morningstar Direct/AnnuityIntelligence, Investment News, Judy Diamond, Department of Labor, PLANSPONSOR, S&P Capital IQ MMD, Financial Planning, Financial Advisor Magazine, and Investment Advisor Magazine*

*Analyst Note: Cerulli's projections for advisor headcounts and advisor assets are based on both the historical movement of advisors between channels and stated channel preferences of advisors for future affiliation. In addition, Cerulli accounts for retiring advisors, trainees, and one-time occurrences such as layoffs and announced hiring plans. Projected advisor headcount excludes advisors that Cerulli projects may transition to the private bank or bank trust channels, while net advisor change includes these advisors.*

## Advisor Perception of Bank B/Ds and Credit Unions

In conversations with bank and credit union advisors, many recognize the challenges of raising assets on their own and appreciate the ability to access referrals through a bank branch. Instead of having to focus their time and energy on sales and business development, advisors who operate in a bank or credit union can focus on serving the end-client. Banks and credit unions are a great place for advisors who are starting out in the industry and have a limited network of friends and family with significant wealth but are looking to gain experience.

Banks and credit unions can also be an attractive landing spot for mid-career advisors who don't want to deal with the operation and administrative burden of running their own business but also appreciate the consistency of referrals as well as a clear path to cultivate their skills as an advisor. However, while banks and credit unions have historically been able to rely on their pay, referral structure, reputation and culture to attract talent, a new generation of advisors is more willing to switch jobs and is looking to join more flexible work environments where they can make an immediate impact. Additionally, branch traffic has not yet returned to pre-pandemic levels, and may have a negative impact on advisors' ability to generate warm leads and uncover opportunities to cross-sell services, a key advantage of operating within a bank or credit union.

## Evolving Advisor and Client Expectations Post-Pandemic

As bank and credit union executives look to navigate the post-pandemic environment, they face tighter labor and market conditions, reduced branch traffic as well as increased technology demands. With continued advancements in wealth management technology across the wider industry, many banks and credit unions need to modernize their wealth management platforms to remain competitive and attract both advisors and clients alike. Proper investment in technology and digital capabilities is critical for banks and credit unions looking to attract advisors and support them in scaling and growing their practices. Simultaneously, in order to meet clients' evolving expectations, banks need to deliver a high level of service and provide more seamless operational support and integrated technology that can optimize advisors' productivity and enhance client experiences.

In conversations with bank and credit union executives, the overwhelming majority recognize the challenges associated with developing and retaining advisor talent. Many banks and credit unions have worked to provide the resources and training to attract younger advisors, although many have overlooked the levels of support required for more experienced advisors as they look to grow their practice and transition into retirement. Despite recent progress, banks and credit unions understand the need to provide a more robust service and product offering, support infrastructure and succession solution to retain senior advisors transitioning into retirement.

# Advisor Recruitment, Development and Retention

The bank wealth management space provides a uniquely attractive entry point into the financial services industry for both young professionals and for career-changers looking for an environment that can foster and support their growth and development in a meaningful way. This section explores strategies and best practices that banks and credit unions can pursue in their effort to recruit, train, develop and retain these early-career advisors.

## Why Do Financial Advisors Join the Bank Channel?

First, it's important to understand the most appealing aspects of beginning a career within a bank wealth management program. There are several distinct factors associated with working at a bank or credit union that are attractive to a young advisor just starting out in the industry.

**A guaranteed base salary** for the early period of an advisor's career that can provide stability and predictability of compensation, typically tapering over the course of two to four years, is far more compelling than the "eat what you kill" environment so common among other large broker/dealer programs. Advisors who are attracted to the bank channel tend to be more risk-averse and therefore aren't as interested in assuming the personal financial risk associated with this latter approach. To best position a bank or credit union program for success with these efforts and to elicit the support of senior advisors to train and develop new talent, it is most advantageous when this salary, or at least a significant portion of it, is covered by the bank, as opposed to reducing the income of a senior advisor.

**The consistent flow of referrals** from other personnel within bank branches, sourced from qualified, existing bank clients, represents a highly compelling and unique selling point for joining a bank or credit union wealth management program. While some non-bank wealth management firms are increasingly attempting to leverage referral relationships across their organization, none have yet match the strength of a bank program in this regard. With 69% of rookie advisors identifying as being responsible for building their own client base from scratch, according to Cerulli's most recent data, many otherwise highly capable financial advisors are lost during the early stages of their career. Many advisors entering the business either lack the abilities to build a book entirely from scratch, don't feel comfortable marketing themselves to their personal network of family and friends, or don't have such a network to begin with, while others simply don't enjoy an external sales role. The bank channel offers a worthy compromise, providing motivated advisors with a stream of warm referrals in exchange for a slightly less competitive grid-based payout.

> **One of the biggest reasons an advisor works with a bank is because of the warm handoff you get from the various retail bank departments; I have a 90% close rate."**
>
> – Community Bank Advisor

## Improving the Junior Advisor Pipeline

There are a variety of pools for banks and credit unions to attract talent from. Below are a few of the key areas that they should seek out when recruiting junior and rookie advisors.

**Licensed banker programs** provide banks with the opportunity to identify personnel within retail banking functions who demonstrate skills and knowledge that correlate with being a successful advisor. By recruiting these personnel into advisor development programs, the probability for success is generally higher than hiring inexperienced professionals from outside the bank, yielding a potentially better return on investment that banks make into developing this talent pipeline.

**Call center advisors** are another significant part of the pipeline across various intermediary channels from wirehouses to direct providers, and increasingly at banks themselves. These often younger professionals are able to take on a client-facing, advice-based role early on in their career without being fully responsible for managing more complex operations of advisory and investment roles. This is an attractive training ground as it mitigates risk for all participants involved. Banks note to Cerulli that professionals in these roles who are more interested in developing their skills and building a book of their own are ideal prospects to bring on as developmental junior advisors.

**Partnerships with CFP programs** can provide banks and credit unions with access to highly motivated, educated and talented new advisors, many of whom demonstrate an interest in the nuanced advice side of wealth management but may be less enthusiastic about building a book of business in an unsupported manner. Additionally, campus recruiting is key to bringing in recent college graduates, many of whom will be local to the domain of the bank and already familiar with the firm's brand.

## Best Practices for Developing and Retaining Early Career Advisors

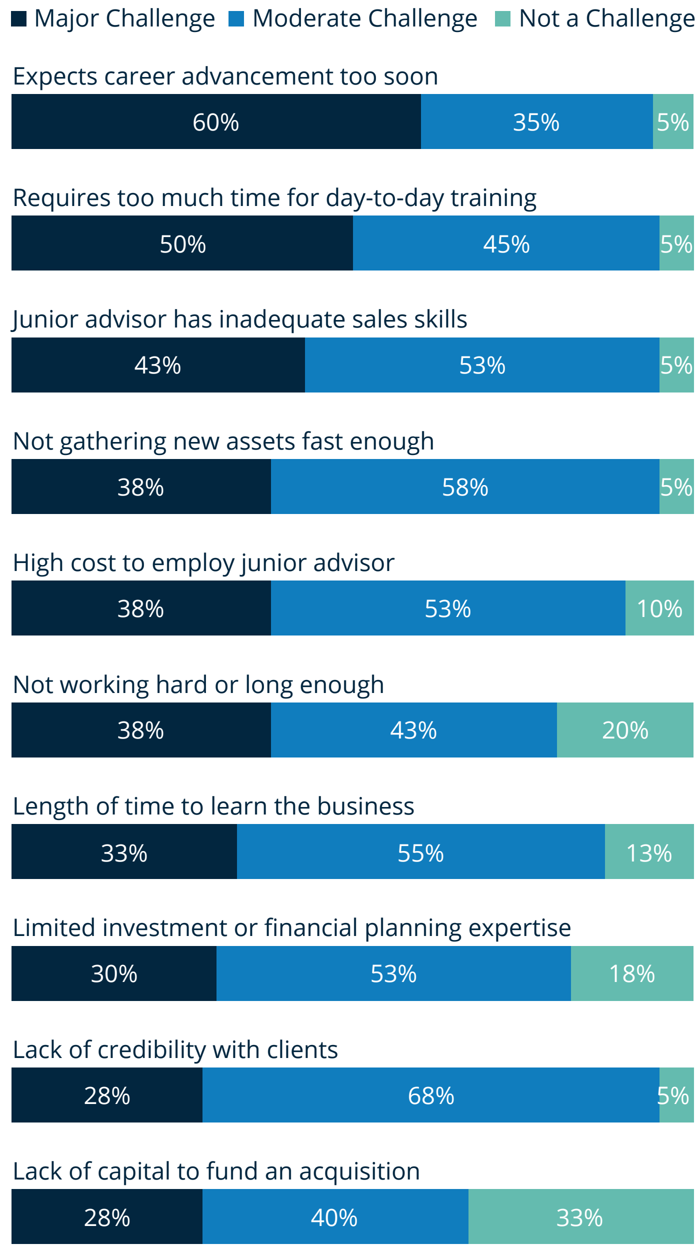
Given that the process of hiring, licensing and training junior advisors is costly, it is critical that banks investing in rookie talent retain these hires over the long term and avoid losing them to their competitors. In order to mitigate the risk of early-career advisor attrition, it's imperative to understand what is driving these advisors out of the door, and what best practices banks can implement in order to minimize turnover.

Compensation is a key factor at all advisor career stages. Junior advisors entering the bank channel appreciate the mix of a guaranteed salary with the addition of some upside potential as they build their own books or assist a senior advisor in closing business within theirs.

> **"I recently joined the bank's new training program, which helps licensed bankers build their own book of business alongside a senior advisor. However, one of the challenges is around compensation. Until recently, the bank has generally not done a great job promoting internally, so people often leave and will get a bigger salary jump elsewhere; promoting internal people creates a better sense of culture and motivates younger advisors to work harder and develop their skills."**
>
> – Regional Bank Advisor

Many young advisors feel that they should be graduating from the role of a junior advisor and going fully out on their own as a senior more quickly than the bank is willing to allow. This can lead to a young advisor seeking employment outside of the bank, often securing themselves a title advancement and a pay increase virtually overnight. On the flip side, senior advisors often indicate that they see little value in investing time mentoring rookie advisors. As noted above, this is particularly acute for advisors who bring on a junior advisor and pay them out of their own pocket, in addition to the time spent training and monitoring their performance, only to see them graduate into competition with them internally or leave the firm for a more attractive opportunity. Clearly setting expectations between young advisors, their seniors and bank management is a key factor in retaining junior advisors while simultaneously keeping senior advisors content in their roles.

**Challenges Developing Junior Advisors, 2022**




*Source: Cerulli Associates*
*Analyst Note: Rookie advisors are defined as financial advisors with three years or less of experience in an advisory role.*

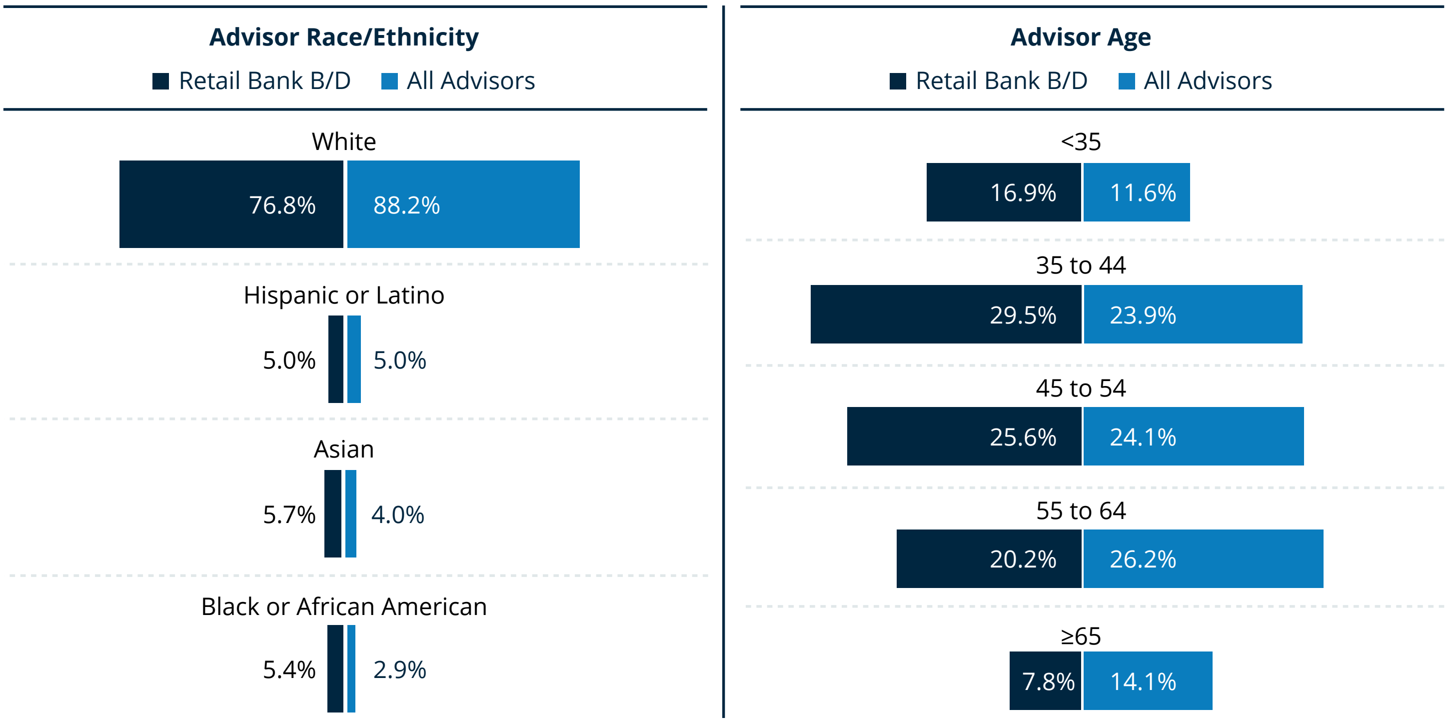
> **We found that a lot of junior advisors would leave after three years, once their salary guarantee runs out. Once we decided to create a formalized training and mentorship program, we found greater success in retention."**
>
> – Regional Bank Advisor

## The Perfect Opportunity for DEI

Banks and credit unions are uniquely positioned within the wealth management landscape given that they mostly sit on the ground level of communities across the country. Diversity, equity, and inclusion (DEI) initiatives are particularly key to these banks; by bringing in diverse talent, which is a positive in and of itself, banks also become more representative of the communities they are servicing — potentially making them more likely to bring in a greater share of their local addressable markets. Additionally, it is often the case that more diverse talent is driven out of wealth management divisions in other channels, which typically require newcomers to dip into their “natural networks” to bring in more assets. One of the competitive advantages of operating in the bank channel is the ability to feed advisors a consistent flow of referrals for new business. This ability makes it the perfect landing spot for diverse and motivated talent who may lack a network of wealthy friends and family to tap into initially.

> **Banks should start talking more about diversity and inclusion. I believe it should be a huge topic. Not many firms do a good job at it. If you fill the room with many different faces, you get many different perspectives.”**
>
> – Community Bank Advisor

### Advisor Age and Ethnicity, 2021




*Sources: Cerulli Associates, Investment Company Institute, Insured Retirement Institute, Morningstar Direct/Annuity Intelligence, Investment News, Judy Diamond, Department of Labor, PLANSPONSOR, S&P Capital IQ MMD, Financial Planning, Financial Advisor Magazine, and Investment Advisor Magazine | Analyst Note: Cerulli adheres to the U.S. Census Bureau’s definitions of race. The U.S. Census Bureau separates the concept of race from the concept of Hispanic origin; therefore, individuals who identify as Hispanic or Latino may also be included in other races. In general, in Cerulli’s market sizing of financial advisors by race/ethnicity, advisors of two or more racial/ethnic groups are represented in all such groups.*

# Enabling Advisors' Professional Development, Growth and Productivity

## Competitive Advantages of the Bank Channel

Banks and credit unions provide an environment in which advisors can steadily develop and grow throughout their careers. Through interviews with advisors at BISA-member firms, Cerulli found that geographic location and referrals from the retail bank alongside consistent compensation arrangements are the primary reasons banks remain attractive places to conduct advisory business. At credit unions specifically, advisors also noted the positive perception among existing members of the firm and that this creates an especially smooth referral flow.

**Referrals:** The consistent stream of referrals from retail operations to the wealth management and investment teams is nearly unanimously noted as the most important benefit, point of satisfaction, and value-add for advisors at banks and credit unions. The ability to source warm leads and maintain high win rates directly from the branch, especially when bankers are able to fact-find and uncover potential investment opportunities, is a key driver of advisors into wealth management programs at banks and credit unions. Additionally, for the majority of an advisor's career, this referral stream is a major retention factor that anchors the advisor to their firm.

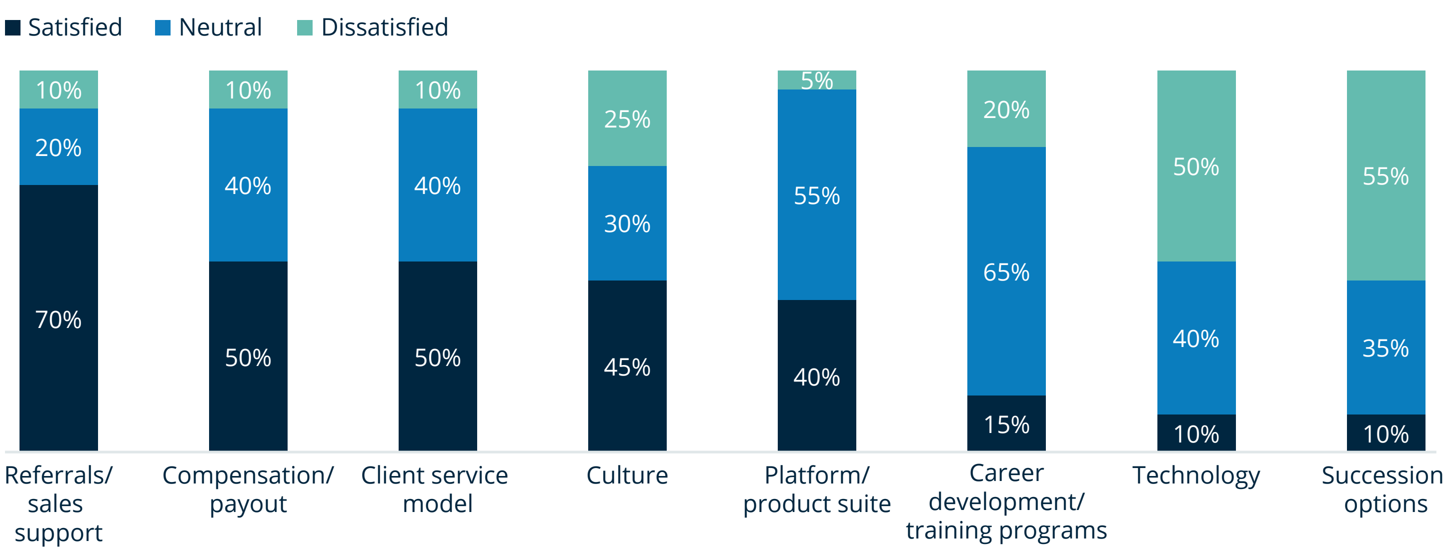
It should be noted that as end-clients become more comfortable banking virtually, banks and their advisors must adapt how they search for opportunities to grow relationships. Automating marketing using clients' account information will be critical to maintaining engagement with banking clients in a more virtual world.

**"It's like we have a well-oiled machine; the tellers are referring to the bankers, the bankers to the relationship managers, the relationship managers referring to me. It's a constant flow of clients that come to us, and you're not going to get that in any other channel, even the wirehouses. That's the reason why I stay with the bank."**

– Regional Bank Advisor

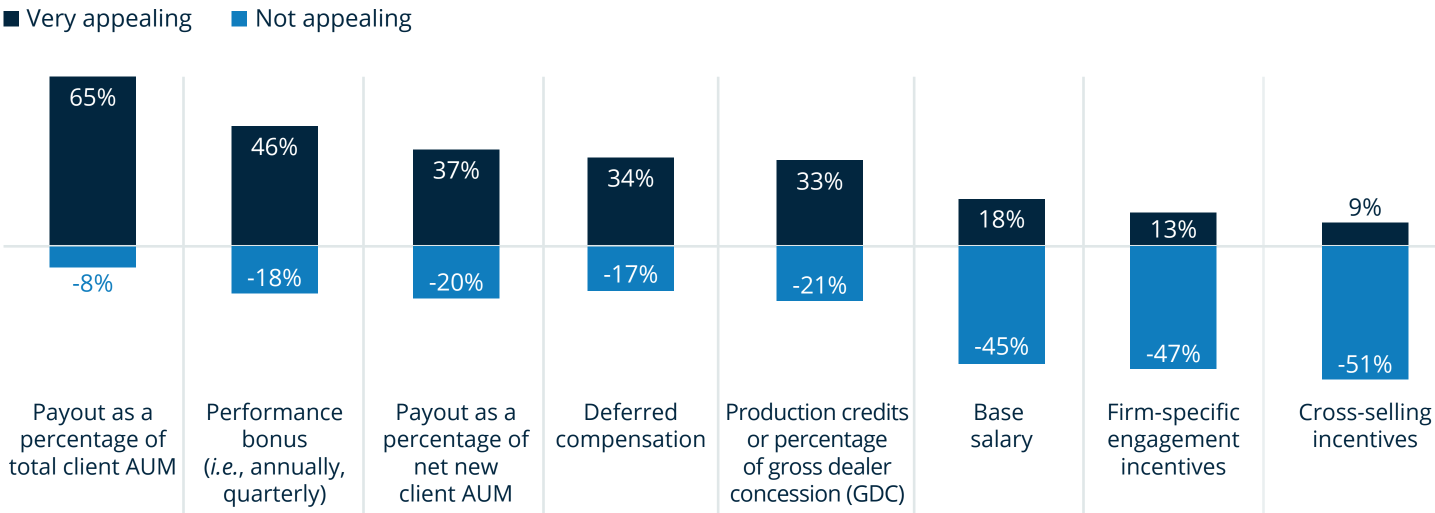
**Compensation:** Compensation structures and payout rates are the second-most cited satisfaction-point among bank advisors interviewed by Cerulli. Though not considered a massive advantage or true selling point, many advisors viewed their compensation arrangement as reasonable and competitive against other channels (*e.g.*, independent, national/regional B/Ds) when accounting for the access to referral flow, the operating platform and product suites provided. With grid payouts ranging from 25% to 50%+ on

**Bank Advisors: Satisfaction Levels Working at a Bank, 2023**




*Source: Cerulli Associates | Analyst Note: Data is based on Cerulli interviews with 20 advisors banks and credit unions, Q1 2023*

**B/D Advisors: Compensation Preferences, 2022**




*Source: Cerulli Associates | Analyst Note: B/D advisors operate in the wirehouse, national/regional B/D, independent B/D, insurance B/D, or retail bank B/D channels. Advisors were asked to rate the appeal of these compensation components to them, personally.*

average at most banks and credit unions, Cerulli finds that advisors are correct in their assessment that payout rates are consistent with other segments of the B/D space, outside of an independent affiliation (*i.e.*, IBDs).

As advisors at banks and credit unions generally skew toward being more risk-averse than those in other channels, steady and reliable compensation can be a key to retaining top talent. On the other hand, inconsistencies or volatility of compensation plans, ranging from changing payout rates to the addition of scorecards, are considered highly unfavorable. Executives should note that a lack of consistency in compensation plans can quickly accelerate advisor attrition.

## Opportunities for Improvement

Though banks and credit unions do a great job at supplying their advisors with a solid baseline of leads for new clients and generally compensate their advisors to a satisfactory degree, there are still many aspects of operating in the bank channel that advisors and executives alike believe need improvement. Technology, succession and retirement planning (as explored in the final section of this white paper), and cultural issues are some of the most cited points of contention for bank-based advisors and potential risks that must be considered when trying to stave off retention and recruiting shortfalls.

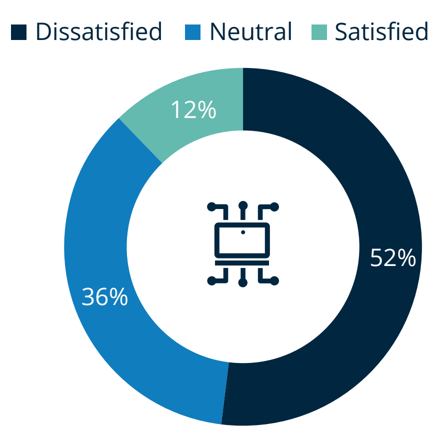
**Technology:** Consistent frustration with technological capabilities and operational hurdles are everyday occurrences in the lives of many bank advisors. As a result, technology stacks are cited nearly universally by executives and advisors as a leading challenge associated with operating in the bank channel, a problem that trickles down heavily into recruiting and retention efforts. Advisors express that a source of this issue is a disconnect between leadership of the bank and of the wealth management business. Advisors feel this misalignment prohibits the bank from making the upfront investment in updating technology systems that would support the growth and success of their advisory business over the long term.

Not only do outdated legacy systems make advisors' jobs more onerous, but oftentimes these pain points are passed through to the clients.

**I've always liked being at [current bank] because I feel like I can control what's in front of me. I can predict my level of income, and I know what the growth rate is, as long as they don't throw a curveball and change the compensation."**

– Credit Union Advisor

**Bank Executives and Advisors: Technology Satisfaction Levels, 2023**




*Source: Cerulli Associates | Analyst Note: Data is based on Cerulli interviews with 34 financial advisors and wealth management executives at banks and credit unions, Q1 2023*

Advisors regularly cite tasks such as account opening and beneficiary changes as processes that could be more automated, or at the very least be streamlined, but instead take a period of several days or longer due to technological limitations. There are very few firms in the wealth management space that truly excel in the technology department, and it is understandable that banks are considered laggards considering the regulatory restraints and complexity leaders face when overhauling outdated technology stacks. But in the ROI calculations banks conduct when exploring technology updates, a firm must properly account for the considerable risk to its ability to recruit and retain competitive talent if technological shortfalls are not dealt with. In many ways, this explains the growing presence of third-party marketers (TPMs) among banks and credit unions as a way for these organizations to gain turnkey access to a broad range of technology and investment solutions.

**Culture:** Other than technology and succession concerns, worries about prioritization and culture at banks' wealth management divisions are top-of-mind among advisors and are an area where improvement could lead to better retention outcomes. Lack of buy-in and communication up the chain of command at banks can lead many advisors to see themselves, and the work they do, as of secondary importance to the firm. Advisors report some symptoms of this cultural misalignment can be restrictions to branch hours and other restrictions to client services that are more commonplace in the wealth management space as well as having limited products that aren't always aligned in the best interests of the client. Advisors believe these concerns can only be addressed at the highest levels

**I wish we had all new systems integrated together. Our legacy technology systems and programs are really bad. When I was at [wirehouse], we were able to do things a lot easier than we are now. I have to set the expectation with my clients that it's not going to be an easy process. We could be doing a lot more business, but at this point we're just doing what we can."**

– Regional Bank Advisor

## ACTION ITEMS

**Executives and advisors who report beneficial experiences on this subject recommend a few action items for other firms to consider:**

1 | Align incentives across both the retail bank and the investment division of the bank

2 | Allow wealth and investment program leadership the autonomy to direct their operations without being boxed in by the traditional procedures of the retail bank

3 | Expand and promote lines of communication through ranks of leadership so that banks can create a positive feedback loop to address pockets of inefficiency or dissatisfaction

### Reasons for Switching Firms, 2022

| 54% | 54% | 38% | 35% | 35% |
|---|---|---|---|---|
| Unhappy with senior management | Concerns about quality of B/D's culture | Desire for greater independence | Current B/D not adding enough value in relation to cost | Poor client service or operational processing |

*Source: Cerulli Associates | Analyst Note: Data shown is for advisors who changed from one employee-based affiliation to another employee-based affiliation within the past three years. Employee advisors are defined as any advisor affiliated with a firm in the wirehouse, national and regional B/D, insurance B/D, or retail bank B/D channel.*

of bank leadership and that alignment of priorities between high-level bank leadership and wealth management divisions is key to creating a mutually beneficial culture for both sides of the business. Additionally, multiple advisors noted to Cerulli that a lack of open lines of communication and feedback from advisors up through the ranks of leadership had been a reason for switching firms in the past.

As previously noted, product availability and access tends to vary widely across banks and credit unions. A few advisors have pointed out the difficulties posed by having limited investment options at their disposal for themselves and their clients, which in some cases leads to both parties leaving the bank. In contrast, other advisors mention that they possess a comprehensive open-architecture platform, enabling them to function and provide access on par with their wirehouse or independent counterparts. Undoubtedly, providing a complete range of products to advisors is a manageable step in the right direction that banks can take today, and one that could greatly reduce the risk of advisor turnover.

## Recruiting Established Advisors

Bank- and credit union-based advisors have expressed varying opinions about their firms' recruiting abilities. Typically, banks attract experienced professionals from within the bank channel by providing appealing short-to-mid-term financial incentives and guarantees, enabling advisors to rebuild their books with minimal personal financial risk. By implementing standardized recruitment strategies and compensation arrangements that appeal to seasoned advisors, banks can aim to consistently attract and retain top-notch talent. Furthermore, offering ongoing support and professional development opportunities can contribute to long-term satisfaction and loyalty among these highly skilled advisors. As a result, banks stand to benefit from a steady influx of expertise and experience, which is likely well worth the upfront costs of investment.

**"The thing that really got me in the door was a multi-year compensation deal. That was them showing they were willing to make an investment in me. That's how banks can go out and get [established] advisors."**

– Senior Regional Bank Advisor

# Creating an Environment to Retain Senior Advisors

## Current State of Advisor Retirement and Succession Programs

As noted earlier, advisors rank succession options alongside technology as the greatest source of discontent operating in a bank or credit union wealth management program. The attrition risk presented by aging advisors is considered one of the greatest threats to bank wealth programs today, not only because bank advisors expect to retire considerably earlier than their peers, but also because they feel the least-prepared to do so. In discussions with advisors, two primary concerns noted regarding this subject are monetization and client transition.

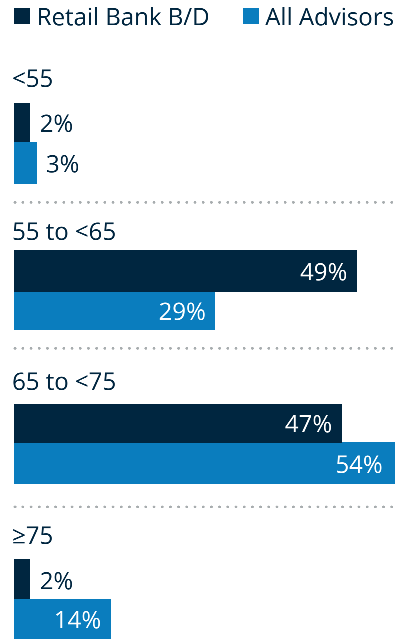
Unfortunately, while many firms in other channels have innovated different payout and succession options, many banks today are still fielding either a patchwork approach with individually negotiated deals or have some sort of buyout plan, which isn't well known or well understood by even the most senior advisors in the bank. Firms that lack a well thought-out and clearly presented monetization or succession plan for retiring advisors run the risk of considerable advisor and subsequent client attrition, a fate many are already witnessing. Banks and credit unions that take the time to work with senior advisors to carefully and seamlessly pass clients down to new advisors, while finding ways to adequately compensate those advisors for the clients they've managed, should improve advisor and client retention toward the end of the advisor lifecycle and gain a major edge on their peers in the wealth management space.

**On average, advisors within the bank channel expect to retire four years earlier than their peers in other channels, at the age of 64; yet nearly one-third (29%) of bank advisors transitioning into retirement within the next ten years are unsure of their succession plan.**

**"We're all painfully aware of the fact that it's difficult to attract and retain talent. We need to devise some form of compensation platform where people want to stay here instead of just going to our competitors, or to larger broker/dealers."**

– Regional Bank Advisor

**Expected Retirement Age, 2022**




**Average Retirement Age**

| Retail Bank B/D | All Advisors |
|---|---|
| 64 | 68 |

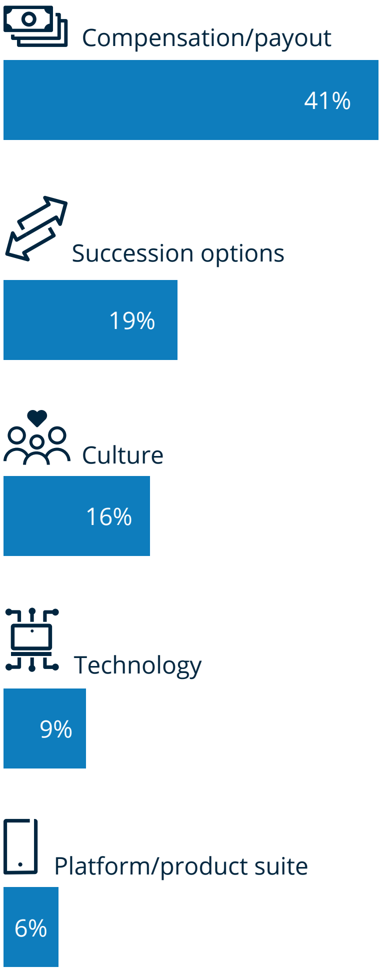
*Source: Cerulli Associates*

## Best Practices for Retaining Senior Talent

Establishing career-pathing options for advisors in the later stages of their career is crucial for banks, as it fosters greater satisfaction, retention and long-term growth for both the advisor and firm. By providing varying affiliation options, banks can demonstrate their commitment to their advisors' professional development. Moreover, advanced career options, such as second-story programs, buyout options, and succession planning, can help attract top talent from other channels, ultimately strengthening the bank's reputation and competitive positioning within the wealth management industry.

**Second-Story Programs:** The first step toward a full suite of options to attract and retain senior advisors is to establish a second-story program — allowing advisors to boost their payout, attain a greater level of independence, transition lower-value clients to either a younger advisor or a centralized advisory group (*i.e.*, call center), and in some cases receive a limited buyout or one-time bonus from the bank as well. Long-tenured and more experienced advisors, typically 15 to 20 years into their careers, often find the second-story affiliation model appealing as it enables them to have a greater level of independence and control over their business while still taking advantage of the platform, resources and support provided by the bank. Additionally, the bank can benefit from this arrangement by attracting and retaining skilled advisors from other channels and by facilitating an arrangement where the "graduating" advisor can transition some clients to other, likely more junior, advisors within the bank — ensuring greater retention than if the advisor were to leave. This transitioning of clients can also act as a preparatory stepping-stone to more complex client succession planning later on in advisors' lifecycles.

## Bank Executives: Top Five Reasons Advisors Leave Their Bank, 2023




*Source: Cerulli Associates | Analyst Note: Data is based on Cerulli interviews with 14 wealth management executives banks and credit unions, Q1 2023*

**"[Current bank] needs to improve their retirement plan because the senior advisors are leaving. There are a lot of frustrated reps out there that have been around a long time and deserve the ability to retire, and they can't."**

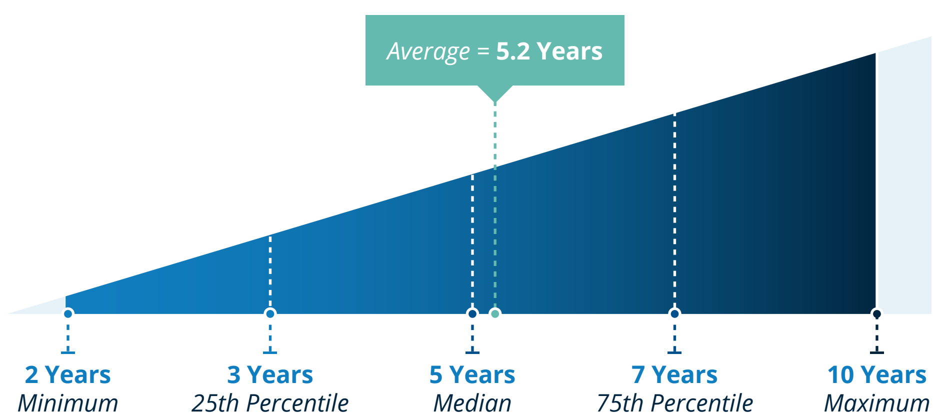
– Regional Bank Advisor

**Monetization Options:** Creating more intuitive and potentially generous payout options can benefit both firms and their advisors in the long run. Among the most prevalent issues that drive experienced advisors out of bank programs cited throughout this research initiative has been the lack of monetization options as advisors approach retirement. Advisors feel they have worked hard to build a business within the bank and they feel they should be compensated for that work in a similar fashion as peers (and former colleagues) in independent or other channels; this is especially true if the advisors are already part of a second-story program and receiving less assistance from the bank. Some banks have begun to create more formalized buyout programs, which have found success. These successful buyout programs generally amount to some degree of valuation based on trailing compensation and are paid out over the course of several years. One way banks can better hedge themselves is to attribute part of this compensation to the percent of clients, assets or revenue that remains with the firm through the completion of the transition, which ties perfectly into more organized succession planning.

**Succession Planning:** Given the personal nature of client relationships in the financial advisory industry, advisors feel apprehensive about having their clients distributed haphazardly throughout the branch or bank, particularly if they don't feel confident in the successor advisors' capabilities. Advisors want to ensure that their clients will be receiving adequate service, even after they've stepped away. Establishing a well-structured and transparent succession planning process inclusive of the retiring advisor can alleviate these concerns, fostering trust and continuity in client relationships.

Moreover, involving senior advisors in the selection and mentorship of their successors as part of a standardized and comprehensive retirement process can further reinforce their confidence in the bank's ability to maintain the advisor's service standards. This can also simultaneously promote banks' strategies for motivating senior advisors to involve themselves more thoroughly in the development and mentorship of emerging talent at the bank. This idea of full advisor-client lifecycle management is rare in the advisory industry, which is so often tied

## Ideal Training Timeframe, 2022




*Source: Cerulli Associates | Analyst Note: Responses are from practice management professionals, which were asked, "On average, how long do you believe a rookie should work in an advisory role before a senior advisor transitions a practice to him or her?" Rookie advisors are defined as financial advisors with three years or less of experience in an advisory role.*

to individual contributors who grow and retire alongside their clients. However, as banks and credit unions offer a greater degree of continuity throughout generations, they are ideally positioned to offer advisors an arrangement that promises the continuation of service standards for their client base well after an advisor retires.

Few of the advisors that Cerulli interviewed claimed to have a sufficient plan in place to sunset their book of business, providing them with some form of post-retirement compensation while simultaneously distributing their clients to qualified advisors across the firm. Establishing such initiatives will take cooperation by both bank leadership and its advisors. The bank will need to be willing to provide retiring advisors with some form of additional compensation, and the advisor must be willing to mentor and support rookie advisors so that they can smoothly transition clients.

Banks that establish these plans for their advisors will be more competitive when attracting talent and more successful retaining current advisors throughout the later stages of their careers. By retaining and attracting more senior talent with greater expertise, banks can expect improved leadership, decision-making, innovation, and overall performance in their wealth management businesses, which, in turn, positively impacts the bank's bottom line.

“

**As poor as bank firms tend to be with bringing on advisors, somehow the succession planning is even worse. The bank feels that someone with my tenure with these clients is going to leave and they can just promote any old guy from the right fraternity and assume they're not going to have any client attrition.”**

– Regional Bank Advisor

## Conclusion

Looking forward, with increasing competition in the wealth management industry and nearly one-third of all bank B/D advisors planning to retire in the next 10 years, banks and credit unions must leverage their advantages (*e.g.*, client referrals) and prepare for potential challenges (*e.g.*, advisor attrition). By focusing on innovative strategies to recruit and retain new advisors and developing creative solutions to prevent attrition among their most experienced and top-producing advisors, Cerulli believes banks and credit unions can attract and retain the talent needed to compete with providers across the wealth management industry.

Cerulli recommends that banks and credit unions capitalize on their appeal to young and diverse professionals, career changers and mid-career advisors by focusing on mentoring and talent development initiatives, improvements to advisor-facing technologies and promoting the unique benefits they offer with a consistent stream of referrals.

To address the attrition risk posed by aging advisors, banks must proactively prepare for the future by focusing on providing senior advisors with what they care about most — namely, financial security after they retire and an amicable client transition plan. Implementing advanced career path options, including second-story programs, buyout/sunset programs and formalized succession planning, promotes greater advisor satisfaction, and therefore retention, leading to better long-term growth outcomes.

Banks and credit unions must act proactively to stay ahead in an increasingly competitive environment. By focusing on attracting and developing young and mid-level talent and retaining senior advisors, banks can better navigate the many challenges they face and remain competitive in the wealth management industry.

# Cerulli Research and Consulting

**For over 30 years, Cerulli has provided global asset and wealth management firms with unmatched, actionable insights.**

Headquartered in Boston with offices in London and Singapore, Cerulli Associates is a global research and consulting firm that provides financial institutions with guidance in strategic positioning and new business development. Our analysts blend industry knowledge, original research, and data analysis to bring perspective to current market conditions and forecasts for future developments.

cerulli.com @cerulli_assoc /cerulli-associates

BISA is the leading financial services industry association dedicated to serving those responsible for the marketing, sales and distribution of securities, insurance and other financial products and advisory services through the bank channel. Member companies include US based banks and credit unions of all sizes, their broker/dealer, third-party marketing companies, product manufacturers and firms providing products, technology or services to support these enterprises. Learn more at bisanet.org.

bisanet.org @BISATweets /bisa-bank-insurance-and-securities-association