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Young(er) Advisors + Old(er) Advisors = (More) Successful Advisors

How the advisor demographic challenge can be solved to everyone’s benefit—including clients

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Mark Tibergien has long warned about the looming talent shortage in the advisor industry. On Tuesday, Pershing, where Tibergien serves as CEO of Pershing Advisor Solutions, released a report that quantifies the shortage and explores how successful advisors are bypassing the shortage by taking significant human capital steps now.

In a media briefing announcing the results, Pershing presented analysis by author and analyst Cam Marston on what the findings suggest about society and advisor and client intergenerational trends, while one of those more veteran individual advisors—Barbara Hudock of Hudock Moyer Wealth Resources LLC—shared how she is solving the generational issue in her own firm. The solution, in sum, is that incorporating younger advisors into an existing firm run by older advisors can benefit both groups now—while simulataneously better meeting the needs of end clients and providing a path toward a better succession plan.

First, the survey, called the Inaugural Study of Advisory Success: Defining Success Today and Planning for the Future. Based on an online survey drawn from the market research firm Harris Interactive's panel of financial advisors, 357 interviews were conducted last April among U.S.-based advisors age 25 and older from across the business model spectrum. The intent, Kim Della Rocca of Pershing (left) said at the briefing, was to discover how advisors defined success and how they went about attaining it.

The top-level findings: advisors are more optimistic about their business prospects and are exploring new models and strategies “to stay relevant in the industry.” However, they also acknowledge that they do not have in place all the tools to grow, nor do they consider themselves efficient enough in their time management and business processes to foster that growth. “Most alarmingly,” the report concludes, while more than three-quarters of respondents agreed that they need the “right team of people” in place to achieve success, significantly fewer respondents say they have that team in place. More telling is that while respondents agree that having such a team is a prerequisite for success, even fewer report they have a “defined recruiting strategy” or a “structured employee onboarding process.”

Della Roca, a Pershing director and global head of Segment Marketing and Practice Management, outlined the scope of the people problem faced by advisors. “Each year for the next 10 years, 12,000 to 16,000 advisors will retire,” she said, while over that same time period the industry must “add 237,000 advisors” to meet the growing need for advice, particularly from retiring baby boomers. While the overall firm environment is a major definer of advisor success, Della Rocca suggested that the answer lies in attracting and retaining younger advisors. To succeed in that effort, older advisors need to understand the differing definitions and drivers of success among their younger peers.

The study argues that younger advisors are more collaborative than older advisors, and Della Rocca (a participant in AdvisorOne-Investment Advisor's Pursuing Practice Excellence study last year) said that younger advisors are also “more interested in the lives of their co-workers outside of work.” Older advisors are more independent and less team-oriented than younger advisors—nearly 33% of older advisors reported they “don’t need the right team to achieve success.” The survey concludes that such a generational gap should lead advisory firms to “think about their workplace culture in relation to generational differences.”

Della Rocca also said that older advisors who lecture younger advisors on how difficult it was for them to build their businesses, using the tired analogy of “having to walk to school without shoes in a snowstorm, uphill both ways,” is counterproductive. “Focusing on a ‘rites of passage’ story is not necessary,” she said, and is in fact “a turn-off to younger advisors.”

Even the concept of independence is viewed differently by the generations: Since advisors in the survey age 50 to 59 (46%) or older (53%) said they were “significantly more satisfied with being independent,” compared with their cohorts aged 25 to 39 (31%) and 40 to 49 (19%), firms need to focus on ways to retain younger advisors. Younger advisors embrace the idea of more training and of having a mentor in their firms.

About Those Younger People...

Addressing the findings of the study and its implications for advisors, Marston (left), founder of Generational Insights and author of several books exploring intergenerational, well, insights (including a just-published e-book), said the findings suggest that “your business will continue” to grow and thrive “if you invest in the next generation.” Boomer-age advisors’ history lessons on how they achieved success and why younger advisors “should want to work here because of the work we’ve done” in building the firm will fall on deaf ears among younger advisors. Instead, to attract and retain younger advisors and employees, “you want your messages to be about the future.”

Taking into account that “millennials are pack animals,” he suggested the importance of group learning, not individual training, and to “provide agendas, schedules, itineraries and syllabi” to younger advisors. Since this is a generation whose childhood began with “play dates” and progressed into athletic competitions where even the 10th- or 11th-place finishers received medals, said Marston, “that’s been their lives.”

While younger people will have much to recommend them, Marston did point out two shortcomings. “The ability to empathize” with others has decreased, he said, quoting research conducted by Sarah Konrath at the University of Michigan, “so we have to teach them” how to be more empathetic in areas like customer service. Second, since younger people have been given so much positive feedback over the years, perhaps even when they did not excel, it’s difficult for millennials “to accept corrective feedback."

Hudock Moyer's Intergenerational Solution

So how do these suggestions play out in an actual advisory firm?

Barbara Hudock (left), CEO and founding partner of Hudock Moyer Wealth Resources, an RIA firm based in Williamsport, Pa., said Tuesday that her approach to incorporating younger advisors into her firm's structure started years ago when she attended a *Barron's* Top Advisor conference. Her takeaway from that conference (she and her firm have been on multiple top advisor lists) was that she needed to limit the number of clients she could effectively serve.

"I realized I needed a relationship team," she recalled, which led her to institute a mentoring program for younger firm employees on those teams. "People start at the bottom, but they can grow" over the years before becoming a senior relationship manager for Hudock Moyer, often serving as "lieutenants for several years" before reaching that senior level.

At her firm (Hudock began life as a Merrill Lynch advisor before going independent), "we do a lot of team events" for employees, and the firm pays for junior employees who want to receive professional designations. The younger team members "love having a mentor," she said.

Putting a twist on the advisor-client relationship, she says "my clients are my team members." When a new client is onboarded, she introduces the entire team that will be serving that account to the client. Further, she says, "we limit the number of relationships so the team can have better, deeper relationships" with those clients.

"This industry needs to be rebuilt," Della Rocca concluded, by "investing in onboarding and listening to your younger advisors."