

Inspiring the
Next Generation of
Financial Advisers

WOMEN IN ADVICE

STATE STREET
GLOBAL ADVISORS
SPDR

IN RESEARCH

FOREWORD

ARE WE STUCK? OR DO WE HAVE A BLIND SPOT?

Gender inequality among the ranks of U.S. financial advisers is nothing new. Yet progress toward narrowing the gap is glacial. If anything, the numbers indicate that inequality is growing, which is a path the industry cannot afford in today's dynamic landscape of advice.

It is hard to accept that the numbers reflect a capabilities gap between men and women, especially given that women are outpacing men when it comes to advanced education. Something besides capability must be at work perpetuating the status quo. And it is our collective responsibility today to understand what is truly holding the industry back — and more important, how to create serious change.

FACT: Biases are stubborn.

FINDING: Good-faith training efforts are not enough. Evidence-based research shows that unconscious bias is real and that traditional recruitment and pipeline development practices are often skewed by those underlying influences.⁴

EVOLVE: Firms should focus on reforming their policies, procedures and systems, to do a better job of addressing the gender inequality problem. Various tools are available to help disrupt these biases.

COURSE CORRECT: On an ongoing basis, firms must actively manage changes that are implemented, to account for all the ways we are socialized and biases that hinder progress. Independent of establishing gender targets, firms must push on with material, positive growth rates for female representation in order to not lose pace.⁵ Acceptance of the status quo will leave everyone behind.

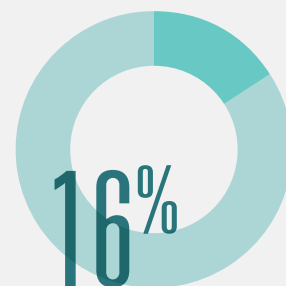
This study — “Women in Advice: Inspiring the Next Generation of Financial Advisers” — does not endorse special treatment for women seeking a career in financial advice. Quite the contrary. It urges that we adopt a more inclusive approach to solving the problem. We need men and women at the table with shared ownership because this is not a women's issue, it is a business imperative. In a tight labor market, true equity is a competitive edge.

We are asking firm leadership — and industry participants individually — to take on the difficult, disruptive work to effect change. Anything less will produce subpar results, including countless missed opportunities. This issue is real and important, and the time for change is now.

Brie Williams
Vice President of State Street Global Advisors and Head of Practice Management
for the Global SPDR Business

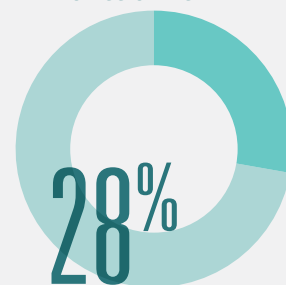
TAKING STOCK: IN THE COMPANY OF WOMEN

FEMALE FINANCIAL ADVISERS



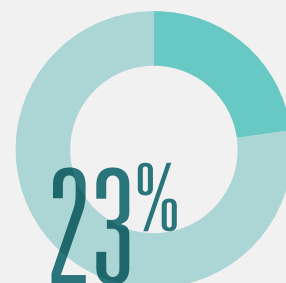
Despite modest progress, women remain underrepresented in the talent pipeline, constituting less than 16% of the total financial adviser population¹

FEMALE CLIENT-FACING PROFESSIONALS



The percentage of women in client-facing professional roles in the independent channel²

FEMALE CFPs



The percentage of women among Certified Financial Planner designees — a percentage that has remained flat for more than a decade³

¹ Cerulli Associates, “U.S. Advisors Edge: Womens Advisors Issues (2017 - Q1)” (January 2017).

² InvestmentNews Research, “InvestmentNews 2017 Adviser Compensation and Staffing Study” (September 2017).

³ Certified Financial Planner Board of Standards, “CFP Professional Demographics” (September 2017).

⁴ “What Works: Gender Equality by Design,” Iris Bohnet, professor of public policy, Harvard University; Harvard University Press, March 2016.

⁵ Oliver Wyman, Women in Financial Services, 2016.

INTRODUCTION

A TIME FOR ACTION ON GENDER INCLUSION

Women currently represent a distinct minority among the ranks of financial advisers despite the profession being one that many view as especially well-suited to them. Moreover, the presence of women dwindles the higher one looks along the career path to firm leadership.

Yet the time is right for change. The financial advice business is being disrupted by external forces that include new technology, increasing regulation and greater client demand for relationship-based services. These challenges present a clear opportunity for greater inclusion of women. Add the demographic reality that the population of advisers is aging and shrinking, and it is imperative that the financial advice business attract more women advisers to rejuvenate itself.

Correcting the gender imbalance is critical for several reasons:

- Without it, the industry is denied access to the full pool of available talent.
- Decision-making is enhanced when a full range of views and experiences are included.
- While not all women clients prefer a woman adviser, the scarcity of women advisers is a significant stumbling block to those women — and men — who do.
- The looming shortage of advisers and the changing face of the industry's potential clients demand that the industry expand its pool of advisers and potential leaders to meet changing client needs.

While the industry recognizes that advisers must be drawn from a larger, more diverse pool, thus far it has done little to hold itself accountable for change. Some firms have set gender targets, which are useful, but those alone do not get to the heart of the problem. To effect change and address the lack of diversity, male and female leaders will have to acknowledge and address the problem of gender bias, the leaky pipeline for women's career advancement, and the need to attract more women to the profession.

The goal of this report is to go beyond confirming what we already know. Uncovering obstacles is not enough; all industry participants — and especially its leaders — must disrupt the status quo and take action. Each member of the financial advice industry has the potential to help implement sustainable change and facilitate inclusivity. After years of talk, advisers and firm leaders, male and female alike, must take concerted, proactive steps to advance the standing of women in the profession.

To support this research, an online survey to *InvestmentNews'* audience was conducted in August 2017 that focused on their work and educational background, career path, experiences within the financial advice industry, and views on gender diversity. In total, 612 responses were collected. Additionally, interviews were held with 18 financial advisers, financial planning students and a range of leading subject matter experts both within and outside of the wealth management industry between June and October 2017.



"THERE ARE NOT GOING TO BE ENOUGH ADVISERS IN ANOTHER TEN YEARS. WE NEED ADVISERS, COUNSELORS AND GUIDES WHO WILL LOOK AND FEEL LIKE THE FOLKS THAT NEED THE SUPPORT. WE HAVE TO FIGURE OUT WAYS TO INSPIRE YOUNG WOMEN TO COME INTO THIS PROFESSION."

Lisa Dolly,
Chief Executive Officer,
Pershing LLC

RECOGNIZING THE GENDER IMBALANCE

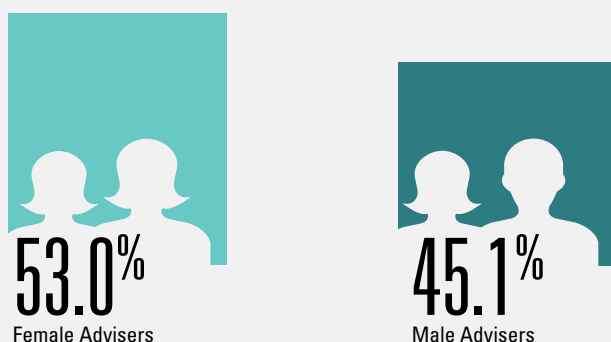
BARRIERS TO ADVISER ADVANCEMENT

The bottom line in improving gender diversity among advisers and firm leaders is exactly that — the bottom line. Research on gender diversity by the Peterson Institute for International Economics found that the need is not just for a lone woman at the top of a firm.⁶ The study found that the corporations posting the largest gains were those with higher proportions of female executives.

Diverse skills and viewpoints at the top help create an inclusive, productive and more successful business, which also helps attract and retain diverse talent. If the financial advice industry does not bring on more women, it jeopardizes its profitability and risks losing potential leaders to other industries.

When greater gender diversity reflects an industry's client base, it also can be an advantage when that business is relationship-based. If current socioeconomic and demographic trends continue, women will become even more important clients of the wealth management industry than they already are. According to the Boston Consulting Group⁷, women held 30% of global private wealth in 2016, a figure that is expected to increase 7% annually. Most respondents in our survey agreed that it was important for advisory professionals to reflect the demographics of the firm's core client base.

FIGURE 1: Female advisers are more likely to work with female clients
Percent of female clients at firm



Source: InvestmentNews Research and State Street Global Advisers Survey, August 2017.



"IF WE'RE NOT TAPPING INTO THE POTENTIAL OF HALF THE POPULATION OF THIS COUNTRY, THERE IS NO WAY THAT WE'RE GETTING THE BEST IDEAS OR SERVING OUR CLIENTS WELL. WE HAVE TO HAVE A DIVERSE GROUP OF ADVISERS TO WORK WITH A DIVERSE GROUP OF CLIENTS."

Michelle Lynch,
Vice President of the Network for
Women Advisers at
Raymond James

⁶ Marcus Noland, Tyler Moran, and Barbara Kotschwar, "Is Gender Diversity Profitable? Evidence from a Global Study," *Peterson Institute for International Economics*, WP-13 (February 2016).

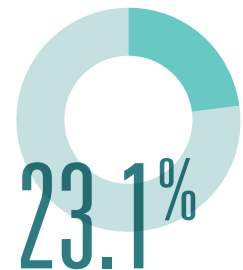
⁷ Boston Consulting Group, *Global Wealth 2016: Navigating the New Client Landscape* (June 2016).

RECOGNIZING THE GENDER IMBALANCE

TOO FEW WOMEN ADVISERS

While females make up 51% of the overall U.S. population⁸, they comprise a small minority of the financial adviser universe. In early 2017, research from Cerulli Associates found that just 15.7% of advisers were female, or only 48,631 of the nation's 310,504 financial advisers.⁹

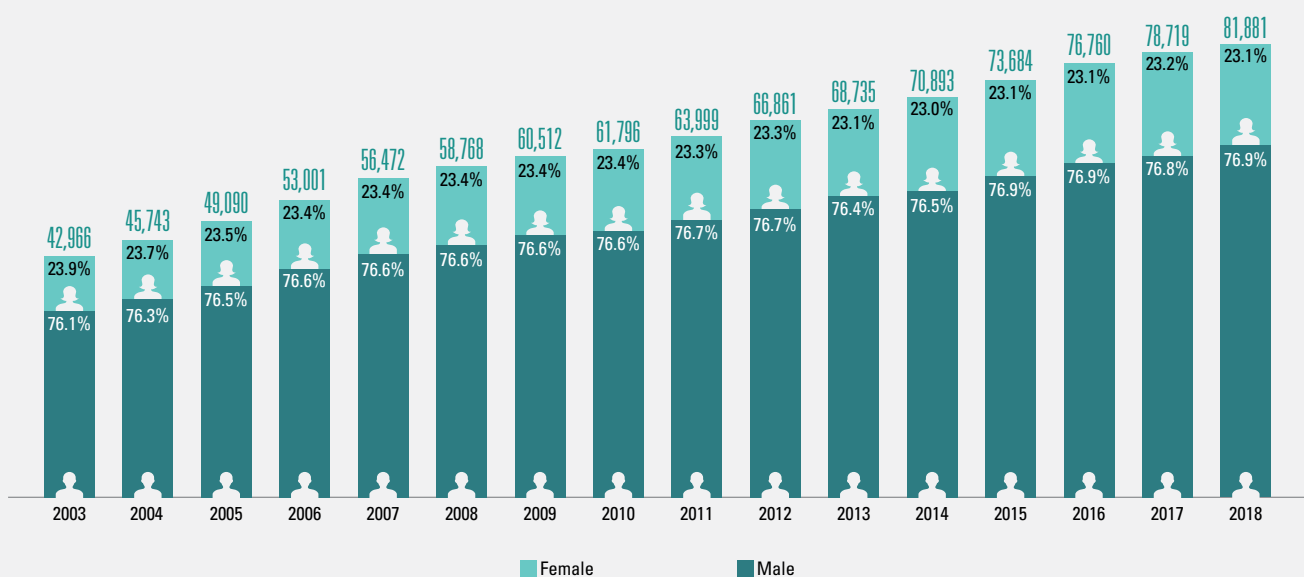
The CFP Board of Standards reported that 23.1% of advisers who held the Certified Financial Planner designation in September 2017 were female.¹⁰ That percentage has not changed over the last 15 years, despite growth of more than 80% in the total number of advisers holding the CFP designation. In addition, women enrollment in financial planning programs is lagging men, with women accounting for only 36% of students in these programs.¹¹



of advisers who held the Certified Financial Planner designation in September 2017 were female.

Source: Certified Financial Planner Board of Standards

FIGURE 2: CFP Board of Standards certificate holders, by gender



Source: Certified Financial Planner Board of Standards

⁸ U.S. Census Bureau, "Age and Sex Composition: 2010" (May 2011).

⁹ Cerulli Associates, "U.S. Advisors Edge: Womens Advisors Issues (2017 - Q1)" (January 2017).

¹⁰ Certified Financial Planner Board of Standards, "CFP Professional Demographics" (November 2018).

¹¹ TD Ameritrade Institutional, "2017 Financial Planning Program Directors Survey" (November 2017).

RECOGNIZING THE GENDER IMBALANCE

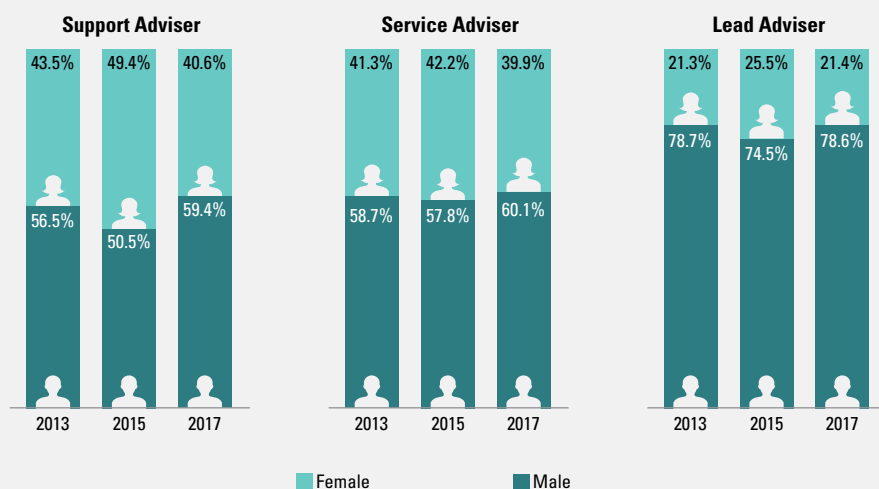
While the percentage of female employees at independent advisory firms has held steady at about 48% since 2013, according to *InvestmentNews* 2017 Adviser Compensation & Staffing Study¹², women represent just 28% of all client-facing professionals. Specifically, women held 21% to 26% of lead adviser roles during this period, but accounted for up to 49% of the support adviser roles and up to 42% of service adviser positions.¹³ These numbers, which are based solely on the independent advisory channel, could be an indicator that change is starting to take place, albeit slowly. Independent firms are much younger than the rest of the industry, and have grown dramatically. Over the last decade, while the overall number of advisers in the channel has contracted,¹⁴ the typical independent firm has grown its headcount by 60%.¹⁵ In 2016, one third of independent advisory firms hired a professional to fill a newly created position and all told, 12% of service advisers and 22% of support advisers were hired in 2016.¹⁶



“WHAT CAN WE DO TO CREATE A BETTER SENSE OF INCLUSION? WHY DO WOMEN NOT THINK TO BECOME FINANCIAL ADVISERS WHEN THEY ARE SO PERFECTLY SUITED FOR THIS INDUSTRY?”

DeAnne Steele,
Managing Director and
Investment Executive,
US Trust

FIGURE 3: Lead, service and support adviser gender at independent advisory firms, 2013-2017



Source: 2013, 2015, and 2017 *InvestmentNews* Compensation & Staffing Study

¹² *InvestmentNews* Research, “*InvestmentNews* 2017 Adviser Compensation and Staffing Study” (September 2017).

¹³ Service advisers manage existing client relationships, may be responsible for formulating and implementing advice but may also rely on technical specialists to develop recommendations within an individual specialist’s area of expertise. Typically, Service Advisers are not expected to develop new client relationships. Support advisers provide technical support for the lead adviser or service adviser and has responsibility for data gathering, modeling, case design, scenario building, and plan and presentation development. Participates in client meetings in some cases, though not in an advice capacity and has no decision-making authority on client matters.

¹⁴ Cerulli Associates, “Advisor Metrics 2015: Anticipating the Advisor Landscape in 2020” (November 2015).

¹⁵ *InvestmentNews* Research, “*InvestmentNews* 2017 Adviser Compensation and Staffing Study” (September 2017).

¹⁶ *InvestmentNews* Research, “*InvestmentNews* 2017 Adviser Compensation and Staffing Study” (September 2017).

RECOGNIZING THE GENDER IMBALANCE

STUMBLING BLOCKS

BARRIER NO. 1: STALLED PROFESSIONAL PROGRESS

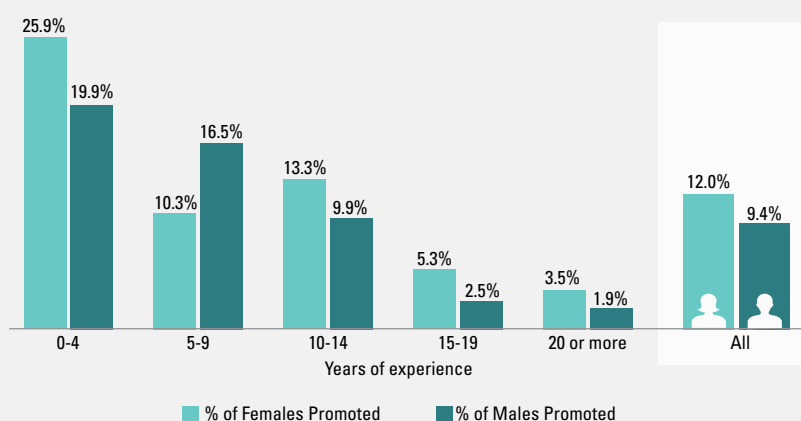
On paper, the near-balanced gender splits in junior adviser positions suggest that women are poised to comprise a larger portion of the advice industry as they continue in their careers. However, several notable challenges have emerged in female advisers' early and middle career stages that are impeding their advancement.

High turnover among all entry-level positions in the industry is hindering progress. Overall, entry-level support advisers saw the highest turnover rate among all adviser positions — among the largest firms, 37% saw at least one such adviser leave in the past year.¹⁷ And nearly two out of every three (65%) newly hired entry-level support advisers were men — underscoring the industry's ongoing struggle to attract women.

In addition to their relative absence, female advisory talent is not advancing at the same pace as their male colleagues during this crucial early to mid-career phase. Notably, female advisers were either more or equally as likely to have been hired or receive a promotion across nearly all levels of experience except among those with five to nine years of experience, where men held an outsized advantage over women in terms of both. Critically, promotions to lead adviser happen most often at nine years of experience, or the very tail end of this period. Before advancing to this top rung, an adviser must master service delivery and, most crucially for earning the promotion, hone the sales and business development skills necessary to bring in business.

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FIGURE 4: Percent of advisers who were promoted in the last year, by years of experience and gender

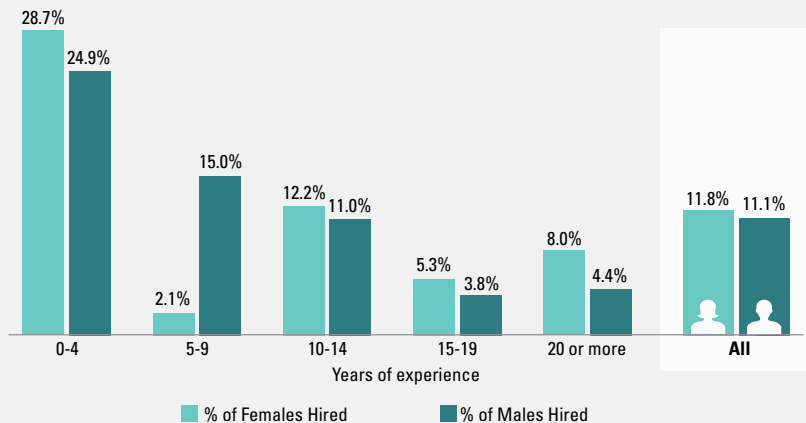


Note: Includes the Support Adviser (Level 3), Service Adviser (Level 2), Lead Adviser (Level 1), and Practicing Partner positions.
Source: 2017 *InvestmentNews* Compensation & Staffing Study

¹⁷ *InvestmentNews* Research, "InvestmentNews 2017 Adviser Compensation and Staffing Study" (September 2017).

RECOGNIZING THE GENDER IMBALANCE

FIGURE 5: Percent of advisers who were hired in the last year, by years of experience and gender



Note: Includes the Support Adviser (Level 3), Service Adviser (Level 2), Lead Adviser (Level 1), and Practicing Partner positions.
Source: 2017 *InvestmentNews* Compensation & Staffing Study

Additionally, research has shown that for women with a bachelor's or master's degree, the median age at the birth of a first child is between 28 and 30 years old.¹⁸ As two-thirds of the female respondents began their career in the financial industry shortly after college, the timing coincides with this crucial stage of a female adviser's career, adding another layer to the barriers to advancement.

Our research found that women who have between five to nine years of experience are looking for the same kind of direction and support that men are receiving in order to succeed. Women in this experience range cited "lack of networking" and "lack of defined career paths" as the greatest barriers to advancement; they also believe that "finding/ having a good mentor" would be one more of the most important factors to their success.

In addition, women tend to have longer tenure in service and support roles, but are not seeing this experience translate into career gains relative to men. Women, on average, remain in tertiary and secondary adviser roles four years longer than men.

This raises several key questions: Are women leaving the industry? Are they leaving the workforce altogether? Are they being passed over for new roles or promotions, and if so is it because they are not receiving the appropriate mentorship, sponsorship, training or development to advance their careers? In many cases, all could be – and often are – a factor. Also, even if women are developing the skills they will need as lead advisers, are they receiving the personal and career development attention from management that men often receive regularly in male-dominated professions?

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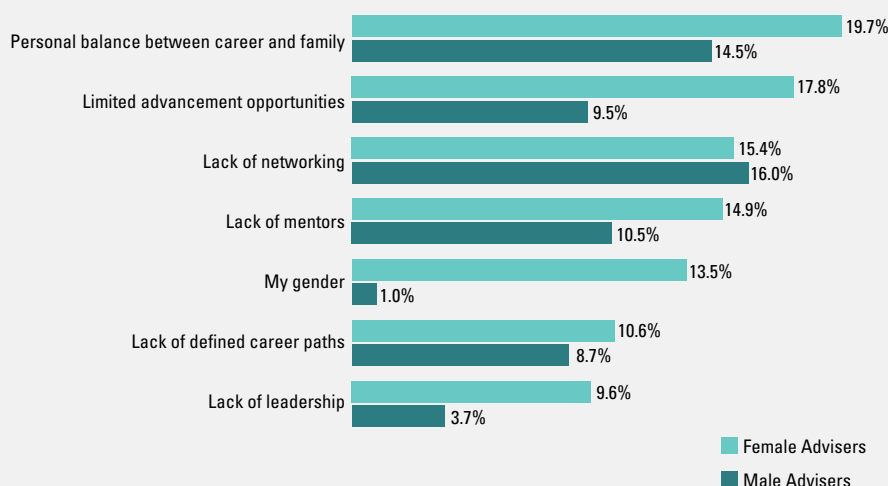
¹⁸ Gretchen Livingston, "For most highly educated women, motherhood doesn't start until the 30s," Pew Research Center, www.pewresearch.org/fact-tank/2015/01/15/for-most-highly-educated-women-motherhood-doesnt-start-until-the-30s (January 15, 2015).

RECOGNIZING THE GENDER IMBALANCE

BARRIER NO. 2: WORK-LIFE BALANCE

Our research found that striking a personal balance between career and family was the top barrier to professional advancement among women, selected by 20% of all female respondents. As noted earlier, the confluence of a woman adviser's early career and peak childbearing years places particular strains on women early in their careers. Interestingly, work-life imbalances are not only an issue for women, as almost as many men cited such issues as a career barrier as did women. That points to the need for recasting work-life balance from what often is perceived as a "women's" issue to one that represents an effort to encourage the greatest participation from the broadest pool of talent.

FIGURE 6: Barriers to advancement beyond current position



Note: Respondents could select up to three choices.

Source: *InvestmentNews* Research and State Street Global Advisers Survey, August 2017

BARRIER NO. 3: REAL AND PERCEIVED LACK OF OPPORTUNITIES

Women, significantly more than men in our research, cited limited advancement opportunities as an obstacle. Perhaps because of a lack of defined career paths in the advisory business generally, coupled with lingering gender stereotypes in terms of advisory roles, women clearly are not seeing what the next steps in their career might be or how to get there. As firms evolve into providers of structured wealth management advice and adopt more organized operating models, the male hunter/female nurturer paradigm of the industry's traditional adviser/assistant structure also will have to change. In order to meet the need for marketers and technology experts, as well as advisers, planners and operations personnel that more holistic wealth management organizations will require, those firms will increasingly find the answers lie in developing gender-blind, defined career paths.



"WE NEED AS AN INDUSTRY TO BE A BETTER VILLAGE FOR WOMEN. UNDERSTANDING OUR UNINTENTIONAL BIASES IS A CRITICAL FIRST STEP"

Katherine Liola,
Founder and President, Concentric
Private Wealth



"THE INDUSTRY'S PREDEFINED ROLES NEED TO GO AWAY. A SERVICE ASSISTANT CANNOT BE ONLY A FEMALE AND AN ADVISER ONLY A MALE. WE NEED TO QUASH THOSE."

Lara Dalton,
Certified Financial
Planner, Waldron Private Wealth

RECOGNIZING THE GENDER IMBALANCE

BARRIER NO. 4: FEW FEMALE ROLE MODELS

One reason for the industry's current views on diversity may stem from the scarcity of women in its leadership ranks. Very few firm leaders are women — only 16% of advisory partners, according to the 2017 *InvestmentNews* Adviser Compensation & Staffing Study.

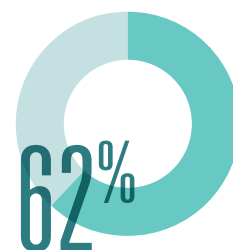
Why is this discrepancy so crucial? According to Kenji Yoshino, Chief Justice Earl Warren Professor of Constitutional Law at NYU School of Law, and Director of its Center for Diversity, Inclusion, and Belonging, envisioning oneself in a higher position requires someone with whom you identify having attained that position. This is what's known as "role model theory."

Female respondents in our study seemed to agree, as they were twice as likely as men to believe that the lack of women in leadership roles plays a part in gender inequality in the financial advice industry (43% vs. 21%).

BARRIER NO. 5: NOT ACKNOWLEDGING THE ISSUE

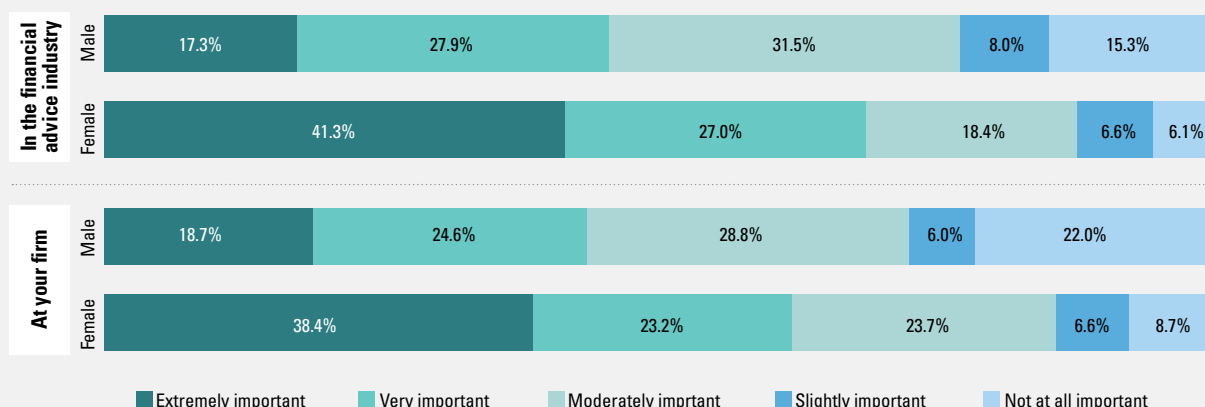
There is a clear difference between how men and women view the role of diversity within their firms and within the industry. Compared with just 43% of men, 62% of women indicated that gender diversity was important to the success of their firm. Similarly, 68% of women believe that gender diversity is important to the success of the overall industry, compared to 45% of men.

This gap also emerged when asked about the playing field for men and women. Two out of three men in the advice industry noted that they believe the playing field is level for both men and women, while just half of women indicated the same.



of women indicated that gender diversity was important to the success of their firm

FIGURE 7: Importance of gender diversity to success at the firm and industry level, by gender



Source: *InvestmentNews* Research and State Street Global Advisers Survey, August 2017.

ADDRESSING THE PROBLEMS

WHAT TO DO

The barriers to the advancement of women in the financial advice industry are substantial. Not only do female advisers need to overcome lack of support and barriers to advancement, they are faced with age-old biases; and perhaps most challenging, the belief that there's little need for change. It is evident that the industry still has blind spots, and many fail to realize that unconscious bias is real. As a result, traditional recruitment and pipeline development practices are often skewed by underlying influences.

The stakes are now higher for the industry. The financial advice business is being buffeted by forces it could barely have imagined just a few years ago. Its regulatory underpinnings are being reexamined, and whatever the specific outcome, an advice-based — rather than sales-based — approach is likely to prevail. At the same time, technology is allowing many investors to leverage today's tools to do it themselves, including through using robo-advice from a variety of established and new providers.

So what happens to traditional advisory firms when investment management can be commoditized, when portfolio construction can be automated, and when competition erodes the attractive margins of the past? Firms must reinvent themselves. In this new, ultra-competitive world, advisory firms must do everything possible to attract, develop and retain the best talent. Redressing gender imbalance, therefore, and removing structural impediments to women's career development and progress is not a way to appease women employees; it's vital to advisory firm survival and growth in the environment that is emerging.

To unlock the contribution that women can make, financial advisory firms and their leaders must not only recognize the barriers to gender equality that exist but take steps to open the door wider for women. Here are some suggested steps firms can take to address the issue.

TRANSFORM WORKPLACE CULTURE

Fostering a workplace culture that is open, transparent and supportive is one of the first steps firms can take to develop female advisers and leaders. Men and women hold similar views of what an ideal workplace looks like. Its top attributes, they believe, include regular leadership communication and interactions, a priority on training and developing staff members, and establishing objective and transparent process for promotions.

Instituting and monitoring such policies would benefit all employees, not women alone, since better communication and transparency have been tied to employee happiness and better performance.¹⁹ Given the relative ease and low cost of implementing policies and programs that support communication and openness, the benefits of doing so far outweigh any short-term discomfort wrought by change.

¹⁹"7 Vital Trends Disrupting Today's Workplace," TINYpulse, <https://www.tinypulse.com/resources/employee-engagement-survey-2013>



"DIVERSITY IS ARGUABLY LESS A VALUE THAN A SIMPLE FACT OF LIFE—WE ARE DIVERSE BY NATURE. THE FOCUS IN RECENT YEARS HAS MOVED TO INCLUSION—REVEALING AND INCREASING THE DIVERSITY IN THE RANKS. AND THE ULTIMATE GOAL MUST BE BELONGING: MAKING EVERYONE FEEL THAT THEY HAVE A STAKE IN THE ORGANIZATION, AND THAT THE ORGANIZATION HAS A STAKE IN THEM."

Kenji Yoshino, Chief Justice Earl Warren Professor of Constitutional Law at NYU School of Law, and Director of its Center for Diversity, Inclusion, and Belonging

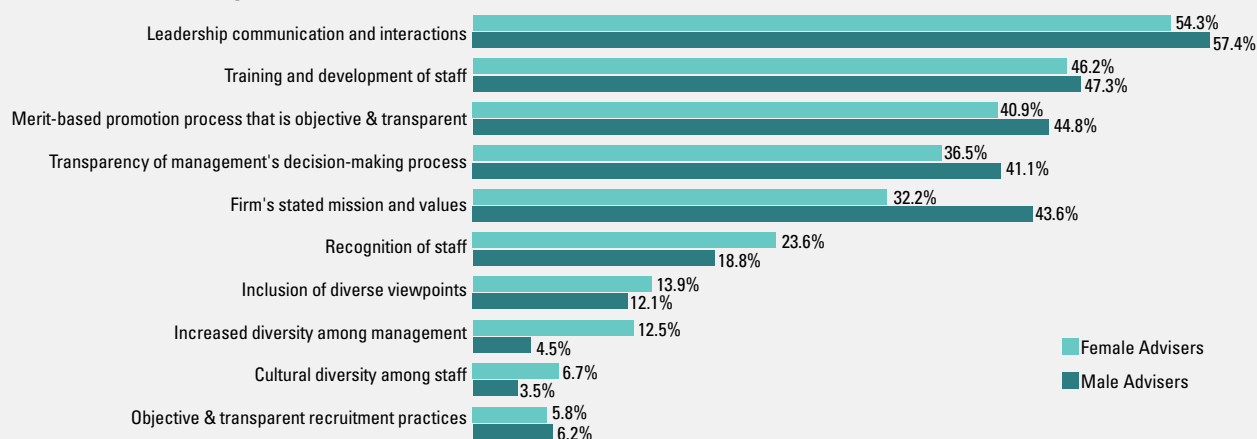


"THE TIME IS NOW. LOTS OF JOBS IN OUR INDUSTRY ARE UNDER THREAT FROM AUTOMATION. BUT THE POSITIONS THAT DEPEND ON RELATIONSHIPS AND CONVERSATIONS AREN'T GOING AWAY. THERE WILL BE MORE OPPORTUNITIES FOR THOSE WHO REALIZE THIS JOB IS ABOUT RELATIONSHIPS AND NOT ABOUT SPREADSHEETS."

Rusty Vanneman,
Chief Investment Officer,
CLS Investments

ADDRESSING THE PROBLEMS

FIGURE 8: Ideal workplace culture



Note: Respondents could select up to three choices.

Source: *InvestmentNews* Research and State Street Global Advisers Survey, August 2017.

Importantly, advisory firm top management must recognize that gender diversity by itself does not inherently improve results or spark innovation. Those are the result of all individuals at an advisory firm, male and female, feeling comfortable enough to speak up, share their thoughts and present strategies and solutions in an environment that values everyone's contribution. Fostering transparency and communication leads to a more productive workplace culture.

INCREASE FLEXIBILITY

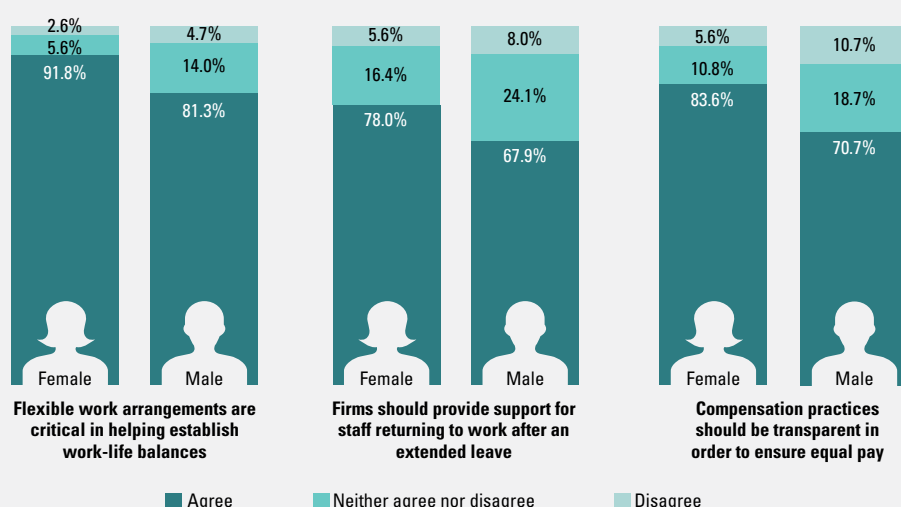
Although men and women agree on the attributes of an ideal workplace, women are more apt to value firm flexibility to a greater degree than men. Specifically, women are more likely to feel that firms should support their staff with flexible-work arrangements, help those returning after extended leave, and be transparent in their compensation practices. Interestingly, about a quarter of men and women indicated that flexible work schedules were a top reason they pursued a career in the advice business in the first place. As Rusty Vanneman, Chief Investment Officer, CLS Investments, notes, "I find by offering this kind of flexibility, employees are more satisfied with their jobs and still perform at the high levels of performance we expect."

Implementing policies that increase flexibility, even if done with good intentions, must be done carefully, advises Iris Bohnet, Professor of Public Policy at the Harvard Kennedy School, who says policies should be equitable and gender neutral. She points out that if paid parental leave policy or a flex program exists, it cannot be geared toward women or marketed towards women exclusively. If employees in the company see that 90% of the people who avail themselves of those options are women, then it potentially could become a tool for perpetuating gender inequalities and pushing women off the track that the men are on, she says.

As a result, it is important not only to implement such programs but to encourage their use by all employees. Simply calling a new program "parental leave" instead of "maternity leave" and urging fathers and mothers to avail themselves of the benefit not only eliminates inequalities but also helps change perceptions.

ADDRESSING THE PROBLEMS

FIGURE 9: Women believe firms can promote gender diversity through transparency and support



Source: *InvestmentNews* Research and State Street Global Advisers Survey, August 2017.

Having a true emphasis on family-friendly flexibility in other areas also helps create a more welcoming environment for women. Since our research found women to be more likely than men to believe that quality support away from the office is important to their personal success (17% vs. 11%), it is not surprising that women seek out firms that provide such support and flexibility. Evidence of this can be found in our survey results: more women than men reported that their firm offers maternity leave (42% vs. 34%), adoption leave (19% vs. 10%), and family/elder care benefits (11% vs. 5%), which suggests that women jobseekers prefer and join firms that value the importance of family-oriented benefits.

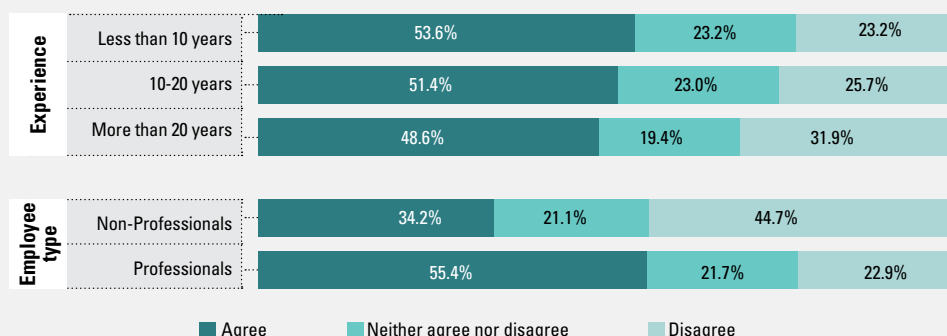
IMPROVE TRAINING AND ESTABLISH CAREER PATHS

Another key component in developing female talent is training and clearly defining career paths. Many women at advisory firms are struggling with how to achieve the next steps in their career. Twice as many women as men (18% vs. 9%) felt that limited advancement opportunities was the key barrier keeping them from advancing beyond their current role. More females than males (27% vs. 15%) disagreed with the statement that there is ample opportunity for advancement at their firm, a feeling that became more pronounced the longer the women spent in the profession.

Twice as many women as men (18% vs. 9%) felt that limited advancement opportunities was the key barrier keeping them from advancing beyond their current role.

ADDRESSING THE PROBLEMS

FIGURE 10: Women who believe there is ample opportunity for advancement within their firm



Note: Professionals include only positions primarily and directly responsible for client relationship management, advice delivery, or developing new business.

Source: *InvestmentNews* Research and State Street Global Advisers Survey, August 2017.

There was a significant difference in women's advancement outlook, however, depending on status. Women in administrative positions were much less likely than professional women (advisers, planners, investment managers, etc.) to believe there is opportunity for advancement within their firm. Only 14% of professional women saw "limited advancement opportunity" as a barrier, versus 31% of the non-professionals, and just 7% saw a "lack of defined career paths" as an impediment, versus 26% of non-professionals.

A well laid-out career path defines recognized development programs for all employees. Moreover, it implies that a firm has organized and systematized its work, using technology where appropriate, so that standardized procedures are in place. This not only enhances the enterprise value of the business but also reduces costs, supports compliance and increases efficiency. By offering career paths tied to established processes, firms can be open and transparent about promotions and, by extension, career paths in all areas of the business. This can help align the expectations of those at the beginning of their careers in the financial advice industry with business realities.

PROMOTE THE ADVISORY PROFESSION

Development and retention are one side of the gender diversity issue; perhaps more important is attracting women to the industry in the first place. Unless women are encouraged to consider a career as a financial adviser, the advice business will continue to lose qualified future leaders to other industries, and its gender imbalance will persist.

Two key challenges in attracting more women to the advice business are low public awareness of financial advice as a career and, among those aware of it, a misperception of what advisers actually do.



"WE HAVE TO BE ABLE TO HIGHLIGHT WOMEN IN THE PROFESSION SO THAT WOMEN GENERALLY, AND YOUNG GIRLS ESPECIALLY, KNOW THAT THIS IS SOMETHING THAT WE CAN DO, AND DO WELL."

Jocelyn Wright,
The American College,
State Farm Chair of Women and
Financial Services and Assistant
Professor of Women Studies



"THERE ARE BIG MISCONCEPTIONS ABOUT WHAT A FINANCIAL ADVISER CAREER LOOKS LIKE. MANY OF THE YOUNG GIRLS IN HIGH SCHOOL AND COLLEGE I TALK TO THINK THAT IT INVOLVES A LOT OF NUMBERS, A LOT OF MATH. ON THE CONTRARY, IT'S REALLY MORE ABOUT EMOTIONAL INTELLIGENCE."

Yonhee Gordon,
Chief Operating Officer,
JMG Financial Group

ADDRESSING THE PROBLEMS

Success in attracting and encouraging the development of young female advisers is crucial in order for the advice business to insure that it has the talent it needs now as well as in the future so that the pipeline for industry leaders does not run dry.

Enhancing and promoting the professional status of financial advisers — as well as educating a wider swath of the public about the positive ways in which financial advisers affect the quality of life of their clients — will be critical to the growth of the adviser community and its ability to attract and retain more women. Given the roots of financial planning and today's financial advice business in investment management and securities and insurance sales, it is understandable that recognition of financial advice as a distinct professional discipline — with client-centric, holistic and dispassionate advice at its core — has taken time to evolve. But greater professionalization and more public outreach efforts will only serve to increase awareness and enhance the attractiveness of financial advice as a career.

ACTIVELY RECRUIT THE NEXT GENERATION OF WOMEN

To encourage more women to become financial advisers, it is important to understand what motivates them. For men and women alike, the top motivator of a career in financial advice is the desire to help people determine and reach their financial goals. After that, motivations diverge. Men cited “interest in investing or financial planning” and “high income opportunities” more frequently than women, who favored “enjoy connecting with clients” and “career growth opportunities” more than men.

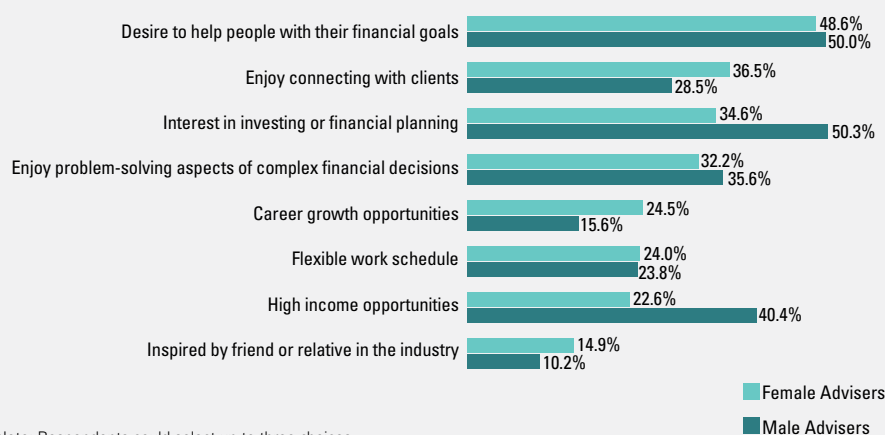
These distinctions could be important when trying to increase exposure and appeal of the financial industry to young women and girls, as well as in the recruitment process — which also should be managed in a way that reflects a commitment to hiring and advancing women.



“I THINK THE OPPORTUNITY WE HAVE TO MEANINGFULLY IMPACT INDIVIDUALS AND FAMILIES IS PERSONALLY FULFILLING AND MAKES FOR AN ENRICHING CAREER.”

Laurie Belew,
Partner and Senior Financial
Adviser at FJY Financial

FIGURE 11: Top reasons respondents pursued a career in the financial advice industry



Note: Respondents could select up to three choices.

Source: *InvestmentNews* Research and State Street Global Advisers Survey, August 2017.

ADDRESSING THE PROBLEMS

However, as Laurie Belew points out, “In the recruiting process, we need to make an effort to connect prospective team members with their peers in our organizations. Sending primarily men of the Boomer generation, dressed in suits to classrooms of young students dressed in shorts and flip-flops creates a bit of a discrepancy.” Once again, it is important for future generations to picture themselves in an advisory role, so it is important for the recruitment process to reflect this.

COMMIT TO PROMOTING WOMEN TO LEADERSHIP ROLES

We have already seen that women believe the largest barrier to gender equality is a lack of women in leadership roles. Our research shows that having a diverse management team is three times more important to females than males. The process of inclusion begins at the top, not only with a commitment to building organizations that are gender diverse, but with follow-through.

Since there currently is only a small minority of women in leadership positions at advisory firms, it is critical for all leaders to embrace the practice of mentoring. In addition to providing new entrants and young advisers with structured hands-on learning opportunities, mentoring provides direct and consistent exposure to leadership and presents clear examples of the opportunities available to women in the industry.

In our survey, men and women alike acknowledge the importance of having mentors. In fact, 25% of women and 20% of men pointed to a lack of mentorship as one of the largest barriers in achieving higher gender diversity. Mentorship programs also can be a tremendous recruitment tool, as well as provide the senior team members who act as mentors with exposure to new or different perspectives and points of view.

BE AWARE OF SALES BIAS AND TACKLE IT

Given its roots, the advice industry historically has rewarded asset gathering and revenue-generation above other firm activities. This emphasis often creates a sales culture that casts non-sales activities as support functions, and makes becoming a lead adviser or firm principal without sales experience and sales success highly unlikely.

This creates a closed-loop of self-fulfilling expectations that can leave women behind. To break the cycle, women working in all firm areas should be given opportunities to learn, succeed and grow into management or leadership positions, whether their core skills are in financial planning, operations or sales. Considerable research supports the fact that women can be just as effective as men in business development and revenue generation, and more women should be hired and mentored in this area. Sales training is an important area for advisories — especially in light of demographic trends — and an opportunity to fast-track the advancement of women by making sure they are cultivating this skillset that will set them up to succeed and grow into management or leadership positions. The growing demand for holistic financial advice means that non-sales skills also should be valued and developed.



“I KNOW SOME WOMEN WHO HAVE BENEFITTED TREMENDOUSLY FROM HAVING MALE MENTORS; I, IN FACT, AM ONE OF THEM.”

Eleanor Blayne,
Special Adviser on Gender
Diversity for the CFP Board
Center for Financial Planning



“I HAD A VERY STRONG SPONSOR IN MY CAREER. IN FACT, QUITE A FEW OF THEM. NONE WAS A WOMAN, BECAUSE THERE WEREN'T ANY WOMEN. IF I HAD WAITED FOR A FEMALE SPONSOR, I WOULD HAVE BEEN IN TROUBLE; IT WAS A MALE SPONSOR OR NO ONE.”

Lisa Dolly,
Chief Executive Officer,
Pershing LLC

WHERE WE GO FROM HERE

For the financial advice business, the benefits of greater gender diversity are clear. Having more women in advisory and leadership roles can help the industry overcome the coming shortfall of advisers, and help it better meet the needs of today's and tomorrow's clients. Doing so will, ultimately make the business more productive and profitable.

But to achieve that outcome, the industry must do more than simply agree that gender diversity is an important issue that needs to be addressed. Leaders and influencers need to recognize that there is a gender diversity problem in the financial advice industry, one that can be solved through commitment, vision and follow-through. Guided by our research, we have identified the following calls to action that can help any firm start to make changes or to accelerate change that is already under way:

- **Make gender diversity a firm-wide commitment.** Include your commitment to gender diversity — both for employees and your clients — in your firm's mission statement and job descriptions. It's a simple step, but an easy way to ensure your vision is articulated to current and future employees, as well as your current and future clients.
- **Establish new policies and programs.** These will aim to recruit, hire, train and mentor women in the context of greater inclusion, communication and transparency for all. Identifying career paths at the outset and establishing formal mentoring programs (with both male and female leaders serving as mentors) can provide visual paths and partnerships to help women see their next steps and overcome obstacles.
- **Encourage and promote women into leadership positions.** Evaluate the overall talent at your organization and consider leadership development programs for your top talent (both men and women). These programs can provide opportunities for junior- to mid-career individuals to work directly with firm leadership on strategic projects. If your firm does not have the ability to independently execute such a program, sponsor the opportunity for your top talent to participate in leadership or executive programs at regional or national business schools.
- **Increase workplace flexibility.** Do this in order to compete for talent with other businesses and industries that recognize the needs of a young, diverse workforce. Flexibility is not merely a benefit for younger workers — it's an expectation. Understanding its importance and having the right programs in place can help your firm attract more women, while at the same time creating a culture that respects work-life balance for all employees.
- **Be aware of any tacit sales biases.** As the market changes and demand for holistic financial advice grows, be aware of any inherent sales biases so that the firm may train non-traditional candidates in other areas that are aligned with your firm's strategy — as well as your clients' evolving needs.
- **Set goals and monitor progress.** All programs aimed at increasing gender diversity should have written, numerical goals from the outset, as well as deadlines, the identification of people being held accountable for the programs' success, and a schedule for regular monitoring and updating. If changing a firm's culture and workplace environment to foster greater female participation and advancement is considered as important as implementing a new compliance program, for example, there must be a commitment from the top.

Taking the steps necessary to effect meaningful and lasting change is never easy. Now is the time.



ABOUT THIS RESEARCH

Despite a perceived need and genuine desire to change the gender imbalance in the financial advisory business, the industry continues to fall short, and progress remains disappointingly slow. To find out why this is the case and what could and should be done to remedy it, the Practice Management Group at State Street Global Advisors and *InvestmentNews* Research collaborated to develop and conduct research to understand current realities for female financial advisers, why the gender divide persists and where increased diversity can take the wealth management industry.

Research Methodology

To support “Women in Advice: Inspiring the Next Generation of Financial Advisers,” we fielded an online survey in August 2017, distributed to *InvestmentNews*’ audience of financial advisers. The sample, which is representative across different advisory channels, received 612 responses in total — 208 from females and 404 from males. The survey collected data on participants’ demographics, current position in the industry and work history. In addition, the survey explored barriers to success, views on workplace and industry culture, and the role gender diversity plays at the firm and industry level. The data collected from this survey were segmented and analyzed to extract insights and actionable intelligence. The results are accurate at the 95% confidence level, with a margin of error of +/-4%.

To further contextualize our learning, qualitative interviews were held with 18 financial advisers, financial planning students and a range of leading subject matter experts both within and outside of the wealth management industry to help inform our key findings and workplace recommendations. Interviews were led by contributing research partner, a2b planning in conjunction with *InvestmentNews* Research and the Practice Management Group at State Street Global Advisors between June and October of 2017. Comments and observations of these experts are included throughout the report.

Lastly, data from the 2017 *InvestmentNews* Adviser Compensation & Staffing Study* were used to provide detailed personnel information on independent advisory firm positions. The 2017 Study was conducted between April and June of 2017, and comprised of data — including gender — from 353 firms and 4,382 individuals across 30 positions.

* The 2017 *InvestmentNews* Compensation & Staffing Study was conducted by *InvestmentNews* Research in partnership with The Ensemble Practice, sponsored by Pershing Advisor Solutions LLC



ABOUT THIS RESEARCH

About *InvestmentNews* Research

The mission of *InvestmentNews* Research is to provide financial advisers with the industry's most informative practice management studies and benchmarking reports. Our benchmarking studies are a leading source of market intelligence for advisory firms and industry partners, such as custodians, broker-dealers, service providers and professional organizations. In 2009, *InvestmentNews* acquired two bellwether benchmarking studies from Moss Adams LLP — the Adviser Compensation & Staffing Study and the Financial Performance Study of Advisory Firms.

About Practice Management and State Street Global Advisors

The Practice Management Group at State Street Global Advisors is dedicated to the evolving needs of wealth management firms and financial advisers; developing business-specific insights to facilitate growth and efficiency beyond asset management. The award-winning thought leadership, educational programs and practice management tools and resources available are grounded in proprietary research and leverage the latest thinking and trends from both industry and academia.

For nearly four decades, State Street Global Advisors has been committed to helping financial professionals and those who rely on them achieve their investment objectives. We partner with institutions and financial professionals to help them reach their goals through a rigorous, research-driven process spanning both active and index disciplines. We take pride in working closely with our clients to develop precise investment strategies, including our pioneering family of SPDR ETFs. With trillions** in assets under management, our scale and global footprint provide access to markets and asset classes, and allow us to deliver expert insights and investment solutions.

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