

Cut Out of the Loop

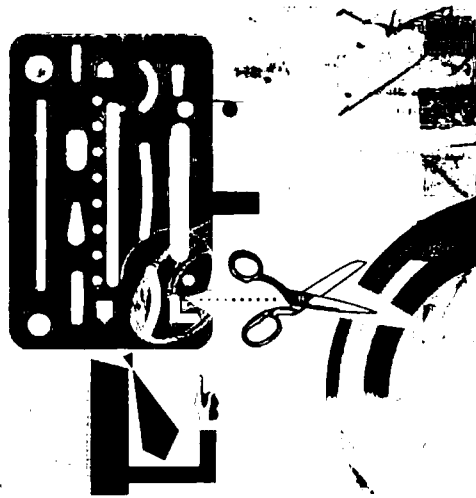
For too many young financial planners, getting in on the ground floor of an advisory firm means staying there

David J. Drucker

ANGIE HERBERS RECEIVED her undergraduate degree in personal financial planning in 2001 from Kansas State University, along with nine classmates who also saw great promise in the university's Certified Financial Planner Board of Standards-registered program. Today, Herbers is fairly sure that she is the only one among them still working in, or near, the financial-planning profession.

What went wrong, and why? Although her classmates were all "passionate about the planning industry," she says, and some landed jobs with small firms while others found positions with broker-dealers, most of them lasted only about a year. "They found themselves just pushing papers or filing—not getting the client interaction they'd hoped for." Consequently, she reports, they left what they saw as dead-end career paths and went into accounting or other professions where they felt a greater sense of purpose because they had clearly defined job descriptions, were allowed to work with clients, and could see opportunities for advancement.

Herbers survived in the industry because she was the one in 10 who got the experience she was looking for. She started out by interning with Wayne Cassaday, owner of Covenant Financial in Mt. Pleasant, S.C. "Wayne was excellent to work for," says Herbers. "I went everywhere and did everything with him. I'd sit in and take notes at every meeting he had with a client or prospect. He'd go over every plan with me before he presented it." Yet the relationship was not one-sided. In exchange for all the time Cassaday

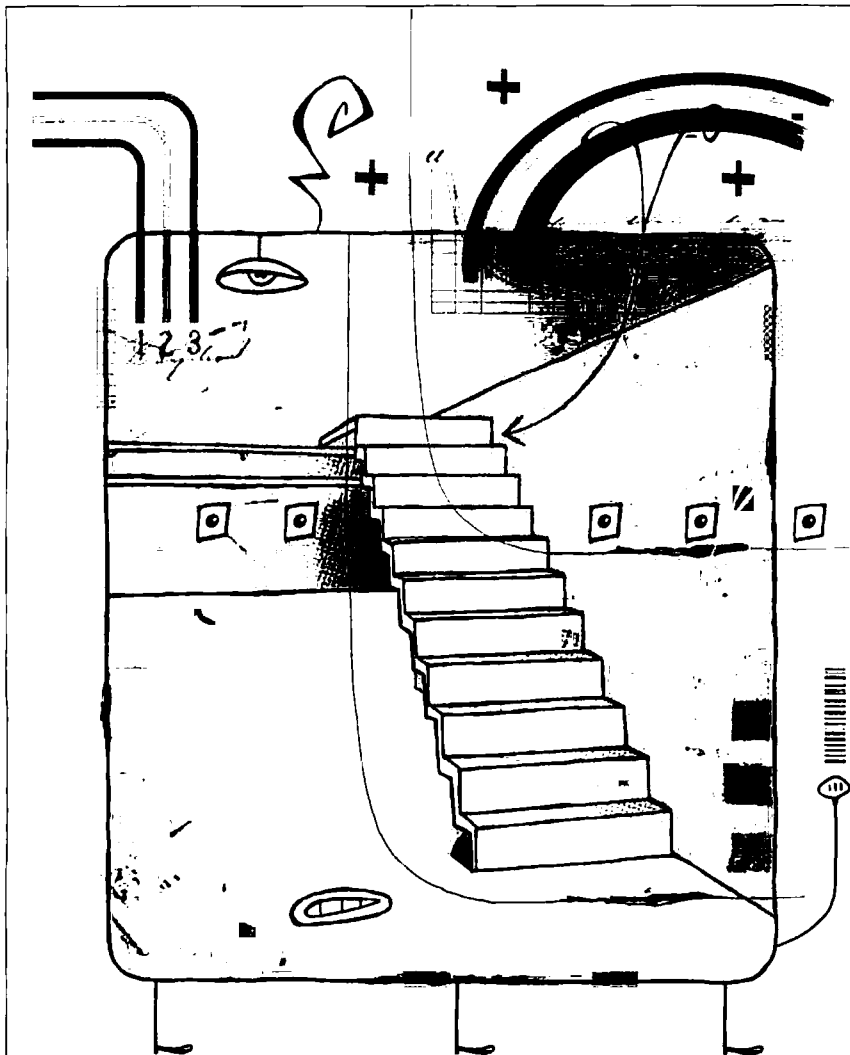


bestowed on her. Herbers says that she was able to add value to the firm during the plan review process and was also helpful in generating new business using her recently acquired marketing skills.

What seems to set Cassaday apart from other employers is his understanding of what it takes to help an employee grow and mature. Says Cassaday about his approach to developing human potential: "I have a

tried-and-true method of teaching people that I read about in a book written 2,000 years ago. Jesus would say to his disciples, 'Watch me do this.' Then he'd say, 'Come help me do this.' Then he'd say, 'Why don't you do this, and I'll help you.' Finally, he'd say, 'You go do it, and come to me if you have any problems.' This empowers your employees to do what you're paying them to do. And it doesn't hurt my feelings if an intern can do something better than I can."

This attitude is something of a rarity, says Herbers, who now has a chance to observe the inner mechanisms of numerous advisory firms as co-owner of Financial Advisor Resource, a Manhattan, Kans., consulting firm that counsels advisers on time management, new business creation, pricing models, and many other practice issues. "The biggest problem I see with the seasoned firms I work with is the dumping of administrative tasks [on new planners], leaving little time for cultivation." The newcomers aren't the only ones who suffer, she points out. If they perceive that there are no hands-on opportunities to develop the skills they've acquired in CFP certification programs, the principals will



Tom Potts, however, has some thoughts about what should be done. Potts is professor of finance and director of the financial-services and planning program at Baylor University's Hankamer School of Business, teaching its top-level course in personal financial counseling. Baylor's efforts to develop the educational components that a graduate needs to sit for the CFP license examination—in the form of a bachelor of business administration degree in financial services and planning—date back to 1985, making it one of the first of the 200 or so colleges that now offer such programs. Potts applauds the effort by some of the industry's professional organizations in recognizing the importance of career development for new entrants to the field. "The FPA is taking a strong position with its residency program and is putting some resources behind it. Of course, that's where their future members are going to come from. Some FPA chapters, like Dallas, are sponsoring career days where students in [CFP certification-oriented] university programs are given the opportunity to interview with local advisory firms."

But what matters even more than connecting with promising new candidates is how successfully these firms integrate new employees once

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also lose out, because they will be unable to retain this talent and bring new planners to a point where they can generate revenue. The return on investment for all involved is nil.

Despite the disturbing implications of this situation for the financial-planning profession, quantitative employment data tracking hiring and employee retention are hard to come by. Staff at the CFP Board and the Financial Planning Association's residency program (an intensive, weeklong series of seminars and case studies, in which experienced CFP licensees mentor new planners and help them apply their technical knowledge to real-world client relationships) say they're not aware of any studies that have been done on the successful deployment of CFP graduates.

they hire them. "Graduates sometimes tell me their actual opportunities have been disappointing [working at banks, investment firms, or insurance companies]," adds Potts. "They mainly want to do financial planning, but they may have to be satisfied with getting their foot in the door first."

Broker-dealers treat their entry-level professionals differently but in a manner that still leads to significant attrition. There, selling is an important component of the job, and, according to Potts, the new CFP hires are expected to make cold calls. On top of that, the firms don't help them get the licenses they need. "They just say 'give it a shot.' They're not investing anything in them, so they have nothing to lose," Potts says. In reality, then, the new CFP graduate

is often in no way distinguished from anyone else who possesses the broker-dealer's minimum qualifications for becoming an account executive.

One might ask, of course, doesn't everyone have to do some "grunt work" in order to get a start in any profession? Perhaps young planners aren't ready to work with an established firm's clients when they're so inexperienced and might even incur unwanted liability if given too much freedom. Potts counters this argument using Ernst & Young as an example. There, he says, "the young CFP isn't just some 25-year-old acting on his own. Ernst & Young has hired him to do a job under its mantle. This should be the role model for the financial-planning industry: new planners take on the reputation of the firm they work for. Of course, they usually have a mentor relationship within the firm."

In further analyzing this problem, it's helpful to consider the history of the industry—specifically, where its constituents have come from. The earliest planners of the 1960s and '70s grew out of the investment and insurance professions. In the '80s, came the career-changers—folks with relevant job experience willing to get their CFP licenses, hang out a shingle, and declare themselves financial-planning professionals. It wasn't until the '90s that the university programs supporting the CFP designation grew to the critical mass necessary to become a major supplier of new talent. The growing wave of planners coming from these schools will likely overtake the second wave of career-changers, and their lesser degree of experience must be addressed.

Herbers agrees that generational conflict is an obstacle. She points out that although the CFP Board requires anyone wanting to do financial planning to have three years' experience, established advisers are not giving their newly hired planners any client interaction without their CFP designation plus five to seven years of experience. Under these circumstances, she says, it's not surprising that "new planners leave and start their own firm or go back to

school to get their accounting or law degree."

Thoughtful attention to job design is undoubtedly a critical factor in successful employment relationships—striking a balance between miring novices in tedious paperwork and giving them too much responsibility too soon (see "The Lowdown on Moving Up," below). One solution, says Jonathan Guyton, owner of Cornerstone Wealth Advisors in Edina, Minn., is to outsource many back-office functions. Cornerstone, with 150 client households and \$850,000 in yearly revenue, employs "exactly three humans, including me," says Guyton. He and one of the staff are CFP practitioners, and the third firm member will receive her masters degree in December from Texas Tech University, take her CFP exam in January, and meet her experience requirement by 2007 through her employment with Cornerstone. This trio takes care of all of the firm's planning and advisory functions.

Guyton delegates Cornerstone's bookkeeping to the Soulsby Accounting Group in Akron, Ohio, and its portfolio reporting to AdvisorMart.com, an online portfolio-management service offered by Advent Software in San Francisco. As for a receptionist, or lack thereof, Guyton says, "When clients call in, I want them to speak immediately to someone who can answer at least 80 percent of their questions, so my two staff members take all the incoming calls." With this business model, Guyton says, "I am able to give more and better attention to the career paths of my [employees] because I don't have to put so much time into managing the administrative, nonadvisory functions that I've outsourced."

And it's not just "quality time" that this system allows Guyton to give his employees, it's higher salaries as well. He has found that, despite its costs, outsourcing saves him money, which in turn can be used to attract top-notch personnel. Guyton points out that compared with hiring a general administrative person, "you're only looking at

THE LOWDOWN ON MOVING UP

WHAT SHOULD NEWLY MINTED FINANCIAL-planning graduates know about a prospective employer in terms of opportunities for career development and advancement? Jonathan Guyton, owner of Cornerstone Wealth Advisors in Edina, Minn., suggests that they should get answers to the following questions:

- What is the firm's vision for the next three to five years? Why will your role be important?
- What is the firm's philosophy about

serving clients? Does it employ the "star system," where value is delivered by a single adviser, or a team approach, where value is provided by several professionals (thereby institutionalizing the client relationship)? How many clients does each lead adviser serve?

- Will the principals be willing to involve you in client meetings? When will this occur, and what will your role be? How will they ultimately offer an opportunity to establish relationships

with clients for whom you will one day serve as lead adviser?

- What are the current owners' succession plans? How do they believe having you join the firm will increase its long-term value?

■ Does the firm currently have an adequate number of staff members for client service and administrative tasks?

- What are the expectations and/or opportunities for your involvement in future marketing efforts?

—DJ/D

10 to 25 percent more compensation to get a young planner coming out of a good financial-planning degree program." And in the environment that his firm offers, Guyton observes that "for about the first five to seven years," professional staff "realize that mentoring and experience are the most valuable compensation they're getting. They can't put a price tag on that. Client interaction is what will make or break the employee relationship." The three-year target that so many young planners fixate on becomes less important in a context of genuine career development.

This is evidenced by Guyton's senior employee, Michael Branham, who says, "I went to work with Jon after being with Waddell & Reed, where only those who proved they could sell got the training they wanted." Branham has been at Cornerstone for three and a half years. Right from the start, he says, "I was reviewing portfolios and suggested trades, and taking client calls. I would research the answers to client questions or ask Jon. These were Jon's clients, so I was wary of making mistakes and, therefore, very careful." Branham has since earned his CFP designation and has sat in on hundreds of client meetings. "I've observed and learned from Jon and now have day-to-day interaction with

clients. My role has grown to less of a support role and more of a second alternative for clients if Jon's busy. Clients now call me for the same things they'd call Jon for."

Clearly, in today's evolving job market, financial-advisory firms need to focus more seriously on cultivating the new talent they hire. Given the importance of this issue, the FPA and other groups should be studying advisory firms' methods of apprenticing new planners and recommending more effective techniques than currently exist. Treating entry-level professionals merely as glorified interns or administrative backups puts the industry at risk of losing some of its most capable new recruits. Financial businesses need to direct systematic and creative attention to making sure that the next generation of planners receives the mentoring and meaningful client interaction that will turn them into trusted advisers. There's no doubt that employers and employees will either succeed together or fail together.

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