

# Financial Advisory Profession Careers

By Deena Katz, CFP®, LHD

Career paths for the financial advisory profession are looking bright. The number of financial advising jobs is projected to grow by 32 percent for the decade ending in 2020, compared with a 14-percent growth for all occupations (Bureau of Labor Statistics 2012). During 2010–2020, that translates to 66,400 new financial advisory jobs. In fact, *U.S. News & World Report* (2013) ranked financial advisor at #2 among business jobs.

Factors positively influencing the opportunities for new entrants include the following:

- More than half of financial advisors are within 15 years of retirement; 21 percent are over age 60 and 32 percent are age 50–59 (Roame 2013).
- Fewer than 5–6 percent of financial advisors are under age 30 (Touryalai 2012; Uzelac 2013).
- The market for investment advice is growing. The generation of 20–40-year-olds now controls \$2 trillion in investable assets, which are expected to grow to \$28 trillion by 2020 (Uzelac 2013).
- The career opportunity is domestic as well as global. Citigroup operates in 160 countries—60-percent more than just five years ago; Fidelity manages \$240 billion worldwide. Twenty-four countries now offer the Certified Financial Planning (CFP) designation and there are almost as many practitioners outside the United States as there are inside.<sup>1</sup>
- The investable assets market will continue to grow as baby boomers (10,000 of whom are turning age 65 every day) retire, liquidate businesses and personal assets, and access their pensions and retirement accounts (Roame 2013).<sup>2</sup>

- Other growing pools of financial assets requiring professional investment advisors include endowments and foundations, which have a combined total of more than \$1 trillion.

## The Market

A new entrant to the financial advisory profession faces a critical decision about which distribution channel to pursue. The basic alternatives are wirehouses and regional broker–dealers, banks and insurance companies, and independent advisory firms. Independent advisors are the most plentiful, but wirehouses and regional broker–dealers control the bulk of assets under administration.

When it comes to pursuing clients, advisors need to follow the money. Affluent households represent just 8 percent of consumers but control 77 percent of assets. Of the 8 percent, 1 percent control 50 percent of household assets and the remaining 7 percent control 23 percent (Roame 2013).

## Career Paths

The financial services industry offers a variety of career paths, including:

**Money manager.** A professional focused on the performance of the investment portfolio of an individual or an institution.

**Investment consultant.** An advisor who helps endowments, foundations, and high-net-worth individuals and families with long-term investment planning. An investment consultant, unlike a broker, does more in-depth work on formulating clients' investment strategies, helping them fulfill their needs and goals. The consultant's job is to actively monitor the client's investments and continue to work with the client as goals change over time.

**Broker.** An employee of a major financial services firm whose compensation is based on commissions generated from investment transactions.

**Financial planner/advisor.** A professional focused on assisting the individual clients manage their fiscal lives.

These roles—particularly investment consultant, broker, and financial planner/advisor—often overlap. For instance, some brokers now are moving into holistic planning similar to the services currently offered by investment consultants and financial planners, where the advisors review the client's entire financial life, not just the investments. There is a growing consensus that future opportunity will favor professionals with the education and skill to deliver holistic financial advice. For example, Merrill Lynch—the world's second-largest broker—requires new broker trainees to complete a six-course Certified Financial Planner (CFP) study curriculum within three years and offers incentives to teams that include a CFP licensee. UBS encourages its advisors to offer financial plans with investable assets of \$1 million or more and encourages all to obtain the CFP certification (Horowitz 2013).

## Professional Skill Requirements

Numerous other skills that go beyond technical competence are required of a successful financial advisor (Williamson et al. 2007):

**Personal aptitudes:** numeracy, literacy, realism, integrity, dependability, initiative, commercial awareness, creativity, adaptability, willingness to learn, self-management/confidence

**Communication skills:** oral and written communications, presentations, effective listening



**Interpersonal skills:** teamwork, leadership, motivation, cooperation, negotiation

**Organization:** planning, prioritization, delegation, time management, strategic thinking

**Problem solving:** investigation, analysis, critical thinking, lateral thinking, decision making

**Information technology:** software awareness, multimedia application.

### Financial Planning Career Paths

The two major alternatives for entry into the personal financial advice profession are larger financial services firms and independent advisor firms. For example, the following “Financial Advisor Career” offerings are from Ameriprise Financial and are representative of the alternatives at larger financial services firms:

*Financial Advisor. If you're considering a career change and are already an experienced professional who has enjoyed success and have established contacts in your natural market, you may qualify to become an Ameriprise financial advisor. You'll join an*

*experienced advisor's team in a branch office, participate in local and national training, and receive one-to-one mentoring. Initially, you'll earn a salary, plus be eligible for full employee benefits and bonuses based on sales commissions and earned fees.*

*Ameriprise Advisor Center Advisor. A career in the Ameriprise Advisor Center (AAC) is designed for people who prefer more structure, a predictable environment and workplace primarily with an established client base. You'll interact with clients over the phone, discussing financial planning services and offering new products and services ...<sup>3</sup>*

Table 1 shows the planning and management growth opportunities from a large national financial advisory firm. It is representative of the general opportunities available at independent firms.

The major types of businesses that employ financial professionals include banks, full-service brokerage firms, independent broker–dealers, and independent registered investment advisory

(RIA) services. Table 2 summarizes these alternatives with an excerpt from Pershing’s “Advisor in Transition” work sheet (<http://www.advisorintransition.com/transition/compare-business-models.html>).

### Credentials

There are no regulatory requirements for practitioners to obtain professional credentials. Many practitioners, however, find studying for a credential and sitting for a qualifying exam to be of significant benefit. The knowledge gained and the credibility afforded by recognized credentials are an important factor in business development (Touryalai 2011). The most respected and recognized would include the following. See Touryalai (2011) for a more-detailed list.

### Investment

**Chartered Financial Analyst® (CFA®)** certification is based on a rigorous, three-level test on investment analysis, economics, portfolio theory, accounting, corporate finance, and more, administered by the CFA Institute (formerly the Association for Investment

**TABLE 1: PLANNING AND MANAGEMENT GROWTH OPPORTUNITIES FOR FINANCIAL PROFESSIONALS**

|                         | Financial Planner (FP)                   | Senior Financial Planner (Sr. FP)                            | Financial Advisor (FA)  | Senior Financial Advisor (Sr. FA)                          | Managing Director  |
|-------------------------|--|--|---|--|--|
| Client Service          | 95–100% planning technical               | 75–85% client service  | 60–85% client service; transition clients under \$6K                            | 50–75% client service                                      | 40–60% client service  |
| Business Development    | Modest business development requirements | 5–10% business development                                   | 15–30% business development   | 20–35% business development                                | 20–30% business development  |
| Team Management         | No management requirements               | No management requirements                                   | 5–25% management  | 5–10% management   | 10–40% management  |
| Client Relationships    | No requirements                          | Relationship responsibility for 10–25% of Sr. FA book        | Responsible for relationships with personal clients being served                | Responsible for team and personal client relationships     | Responsible for branch's and personal client relationships   |
| Focus                   | Technical support of FA                  | Increasing client responsibility and technical support of FA | Service of Sr. FA client relationships, development of new client relationships | Development and service of personal and team relationships | Development of branch's client relationships, staff development, and service of personal clients relationships |
| Team Member Development | No staff development requirements        | Delegates and accomplishes work through CSA and FP           | Hires/mentors CSA, FP, or Sr. FP  | Develops FA  | Develops FAs and Sr. FAs   |



**TABLE 2: BUSINESSES THAT EMPLOY FINANCIAL PROFESSIONALS**

|                         | Bank   | Full Service   | Independent Broker-Dealer  | Independent RIA   |
|-------------------------|--|--|--|---|
| Overview                | Employee of parent company. Usually assigned a book of business at time of employment.   | Employee within a branch network.  | Affiliated with a broker-dealer to support commission and fee business. Greater freedom over your business operations. | Affiliated with an existing RIA as employee or contractor.  |
| Payout                  | W-2 employee with base salary, bonus, and deferred compensation tied to revenue production.  | Compensated as a W-2 employee as a percentage of commissions generated.                | Compensated as a 1099 employee. You keep a larger percentage of commissions for less support.                          | As a business owner you keep 100% of revenue; however, you bear the full operational cost of your business.   |
| Product Access          | Limited to products approved by parent company.  | Limited to products approved by the firm.  | Broader product choice.  | Open architecture; i.e., you have complete authority over product selection.  |
| Technology              | Turnkey from home office.  | Turnkey from home office.  | Varies. Generally turnkey available with option to use third-party solutions.  | RIAs have complete control and may select best-in-class.  |
| Compliance              | Provided by branch management and/or corporate offices. Limited flexibility outside company standards.                                       | Provided by the company.   | May be provided by the company or option to develop your own.  | Joining an existing practice you may be incorporated in the firm's existing compliance structure.   |
| Ability to Build Equity | Limited practice value given the revenue and advisory contract is between the client and the bank vs. the client and your advisory practice. | Limited ability to monetize. May have an opportunity to transition to another advisor. | As an independent contractor you may build equity in your practice.  | Opportunity to maximize the value of your advisory practice. Many RIA affiliation models provide you with complete book ownership and/or the opportunity to become a partner in the firm you are joining. |

Management and Research). CFA charterholders also must demonstrate expertise in a specialized area of investments.

**Certified Investment Management Analyst® (CIMA®)** certification, administered by IMCA®, requires at least three years of experience in financial services, an extensive background check, a two-step, graduate-level program of study, and passing a comprehensive examination. The CIMA education program is offered at The Wharton School, University of Pennsylvania and The University of Chicago Booth School of Business. CIMA certificants must complete at least 40 hours of continuing education every two years, including two ethics hours.

**Financial Planning**

**Certified Financial Planner™ (CFP®)** certification has experience and educa-

tion requirements plus a 10-hour exam given by the Certified Financial Planner Board of Standards. To remain in good standing, CFP professionals must take at least 30 hours of continuing education classes every two years.

**Certified Private Wealth Advisor® (CPWA®)** certification, also sponsored by IMCA, facilitates advanced expertise in the life cycle of wealth: accumulation, preservation and protection, and distribution. CPWA certificants learn to identify and analyze challenges facing high-net-worth clients and how to develop specific strategies to minimize taxes, monetize and protect assets, maximize growth, and transfer wealth. The CPWA program is offered at The University of Chicago Booth School of Business. CPWA certificants must complete at least 40 hours of continuing education every two years, including two ethics hours.

**Chartered Financial Consultant® (ChFC®)** is a designation typically used by insurance agents with several years of experience who have passed courses in financial planning from The American College. It allows the insurance agent to branch into other areas of financial planning.

**Personal Financial Specialist (PFS)** is a credential awarded to a certified public accountant (CPA) who has met education and experience requirements and passed a comprehensive exam on financial planning. Because this credential is always linked to the CPA—designees typically list it as CPA/PFS—the person who has it is typically qualified to help a client with both investment and tax issues.

**Professionalism**

Financial advising is a profession, and all professions share the following six



major characteristics (Blau and Scott 1962, 60–63):

1. Professional decisions are based on a distinct body of knowledge possessed only by those representing that profession. Can anybody else do what a physician does? The skills and knowledge possessed by a credentialed practitioner reflect mastery of a very distinct body of knowledge.
2. Professionals possess a level of expertise in a specific, limited area. This expertise allows them to exert authority in only their specialized area. The skills and knowledge possessed by a credentialed practitioner are unique to the profession of providing personalized financial advice to individual clients.
3. Professionals' interaction with their clients is characterized by "affective neutrality." This entails adherence to a specific code of ethics that directs behavior. Both broker–dealers and investment advisors are subject to regulatory requirements mandating a code of ethics. Those who hold credentials are generally also subject to the code of ethics of their credentialing organization.
4. Professional stature is predicated on the individual's performance in relation to standards determined by his or her colleague group. Credentialing organizations have established detailed practice and ethical standards that have gained wide acceptance throughout the financial services community.
5. Professional decisions are not based on self-interest or personal gain, but on the altruistic goal of helping others. All practitioners are required both by regulatory authorities and credentialing organizations to act in the interest of their clients.
6. Professionals are members of an organization that requires self-control of their professional behavior, training, and practice. Although

not required by regulatory authorities, practitioners recognized by their peers as "professionals" belong to one or more organizations that set standards for professional behavior, ongoing education, and practice.

### Conclusion

While many avenues are available to enter the financial planning field, and many opportunities to practice in different business environments, the message is clear. There is a bright future for those who enter the business and many opportunities are available to become a success. 

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### Endnotes

- 1 International growth in 2012 was 5.72 percent and China added as many new licenses as did the United States, bringing the number in China to 13,850, not far behind Japan with 18,548 and Canada with 17,368. In 2012 Brazil, India, Ireland, and Thailand, along with China, saw double-digit growth.
- 2 Investable asset market (2012): investable assets—\$32.2 trillion; privately owned business valuations—\$8.1 trillion; personal assets—\$22.9 trillion; retirement plan assets—\$14.1 trillion; 10,000 baby boomers will turn 65 each day through 2029. As these baby boomers retire, the liquidation of business and personal assets as well as the migration of funds from corporate pensions to personal individual retirement accounts will drive more assets into the investable asset market (Roame 2013).
- 3 See <http://www.joinameriprise.com/careers/new-financial-advisors/financial-advisor-career/choose-business-model.asp>.

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