Nine Ways Financial Advisors' Business Growth is Being Stunted

AdvicePeriod. It's that simple.

In many ways, there's never been a more opportune time to work in the wealth management industry. As the overall population ages, life expectancy increases, and accumulated wealth looks to move from one generation to another, demand for sound financial advice is growing and evolving every day.

But that rosy outlook is also tinged with an array of concerns.

Too many financial advisors are increasingly forced to direct their time and energy away from what initially led them to the business: helping people. As advisors' businesses grow, they wind up spending less of their time on their passion—working with clients—because they have a business that's simply not going to run itself. Instead, they burn valuable working hours trying to keep up with shifting compliance requirements while feeling the pressure to stay as current as possible with their technology stack. Advisors must also wrestle with maintaining financial efficiency, even as they're compelled to trim time spent servicing existing clients and attracting new ones—the financial drivers of their business. In other words, the growth of financial advisors' businesses is being artificially stunted due to being stretched too thin.

Fortunately, financial advisors do not have to navigate this dilemma on their own.

The Problem: Time is [a lot of] Money

At AdvicePeriod, instead of setting goals and benchmarks based on "empirical" measurements such as assets under management, we measure the lives we impact (our clients and their households, our employees and their households). This caters to the "missionary" mindset that we find the best advisors have. Many of the top advisors we speak with become financial advisors simply because they enjoy helping people. It's hard to imagine that any financial advisor got into the industry in hopes of immersing him or herself in rudimentary business chores. But that's where many find themselves. A 2019 study found that the typical financial advisor spends roughly 50 percent of his or her time on direct client activity-related tasks—at the very most.[1] What happens to all those other hours?

Below is a summary of the many time sucks and headaches which drive down business growth for financial advisors:

1. **COMPLIANCE**
   In a 2019 survey of more than 200 financial advisors by Fidelity Investments, four out of five participants cited compliance and regulatory issues as among their primary concerns. Half of those surveyed named them their biggest business challenge. In addition to taking time away from working directly with clients, survey participants said it was both time consuming and expensive trying to remain current with constantly changing governmental guidelines—an expense that's often passed on to those clients who, ironically enough, they have less time to service directly.[2]

2. **HUMAN RESOURCES**
   Hours upon hours of advisors' time is spent on such tasks as payroll, benefits, 401k accounts and business insurance. These hours could otherwise be spent bringing on new clients, with family, or nurturing relationships.

3. **TECHNOLOGY**
   Staying technologically current is a challenge in and of itself, and is more than just a question of efficiency—it's also a matter of both external and internal expectations. A growing number of clients are coming to see current technology tools such as mobile access and easy-to-use digital portals as givens. Clients demand a digitally integrated service offering. That's also the case within companies themselves. A 2019 study by J.D. Power found that high levels of employee satisfaction and retention were closely connected with satisfaction with a business' level of technology.[3] Clients—and employees—demand a digitally integrated service offering. Yet another technological concern for advisors is the rise of robo-investing. Foreseeable growth aside—estimates hold that client assets managed by robo-advisors are projected to reach $7 trillion worldwide by 2025[4]. Advisors need to adapt (determine how we can add value amidst this changing environment) or fold, since it will only become increasingly difficult to compete with such low cost options.

4 BACK OFFICE MANAGEMENT

Without purchasing power, you may be missing out on a ton of potentially significant cost savings in a number of areas, including manager fee discounts, lower cost insurance coverage, professional association dues and discounts with various vendors.

5 PROPOSAL GENERATION

Advisors should be doing what they do best: servicing existing clients and finding new ones. Needless to say, drafting and beautifying proposal decks is not the highest and best use of advisors' time.

6 PORTFOLIO MANAGEMENT

While once the "secret sauce," portfolio management is now truly a commodity. Partnering with an advisor support firm, with a team dedicated solely to portfolio management, can essentially outsource this commodity, providing advisors with more quality time to spend with clients and prospects.

7 COST CONTROL

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8 MARKETING

Email newsletters, blogs, and other forms of consistent client outreach are proven to increase client retention. If advisors don't have the time or resources to do these tasks, though, they will certainly be one of the first to fall by the wayside.

9 SUCCESSION PLANNING

Recruiting and hiring top tier talent are time consuming and frequently ineffective. In particular, sole proprietors have anxiety about how existing clients will continue to be serviced once he or she retires.

Taken as a whole, the challenges and hurdles facing so many advisors can be boiled down to so-called "management stretch": leaders forced to juggle compliance, technology, office management and financial constraints, all the while trying to carve out time needed to meet with and advise clients. Income and business growth, including the ability to effectively recruit and retain an advisory support team, inevitably suffer.

Still Plenty of Opportunity

Despite the rather daunting list of challenges, current trends and shifting demographics suggest significant opportunity for those advisors positioned to leverage them to the utmost. The so-called “Great Wealth Transfer” is poised to kick into high gear—the movement of enormous wealth from Baby Boomers to subsequent generations. Estimates differ considerably, but one study suggests $68 trillion in assets will pass from Boomers on to Gen X, Gen Y (their millennial children) and charity over the next two decades.[5] With some 10,000 Baby Boomers turning 65 every single day, there is an ongoing—yet far more involved than ever before—necessity for retirement planning. For one thing, with life expectancy continuing to increase, effective retirement planning needs to address the reality of additional years of life to underwrite. Taxes, health care costs, Social Security and other elements will require that financial planning cover a broad array of essential issues—not to mention using new products geared to addressing the financial needs of a longer lifespan.

The Partnering Solution: In-sourcing to Outsource

So, advisors now know the problem yet can still see the opportunity. Now all they need are the time and resources with which to do what they do best.

One way to take much of the pressure off and obtain that time and those resources is partnering with an advisor support firm like AdvicePeriod. Taken as a whole, the services and support of these “partnerships” boil down to one salient, overriding advantage: time freed up for advisors to devote their energy to what matters most to themselves as well as their businesses.

The AdvicePeriod Difference

Partnering with an advisor support firm can often prove the difference between an advisor’s practice that struggles to hold its own and a practice that enjoys significant, consistent growth. At AdvicePeriod, we’ve helped our Partner Advisors grow their businesses through ensuring all Partner Advisors are up-to-date with all regulatory matters. AdvicePeriod assumes responsibility for a variety of back office functions, handling proposal generation and portfolio management, managing HR tasks, keeping Partner Advisors current and seamlessly integrated with the latest inward- and outward-facing technology, allowing advisors to leverage our purchasing power, offering a variety of marketing functions, and teeing up advisors for successful succession planning.

Perhaps most importantly, however, we know that clients, above all else, value simplicity and transparency, delivered via digitally integrated services (bill pay, financial statement consolidation, tax prep, legal document prep, etc.). At AdvicePeriod, we provide this improved client experience while lowering costs for clients and advisors alike.

With AdvicePeriod, partnering advisors are invited to jump aboard our hyper-loop and be an integral part of building the firm of the future, all while retaining 100% ownership of their businesses.

1. https://www.kitces.com/blog/how-do-financial-advisors-spend-time-research-study-productivity-capacity-efficiency/
2. “Business Challenges Facing Financial Advisors, Fidelity International, 2019.
3. J.D. Power 2019 U.S. Financial Advisor Satisfaction Study.
4. “The expansion of Robo-Advisory in Wealth Management,” Deloitte, 2016.
5. Cerulli Associates, “Transfer of Wealth.”