



CERULLI
ASSOCIATES



KEY FINDINGS

Path to Parity

Confronting Gender Inequity in the Financial Advice Profession

April 2021

The industry has made small, yet significant steps toward diversity. However, women remain vastly underrepresented among financial advisors. Often, they face an unwelcoming environment, rife with pervasive biases, discrimination, and unjust treatment.

Misconceptions and limited familiarity with the profession can deter women from becoming advisors, and if they do decide to enter the industry, initial hurdles often feel insurmountable. Although building and sustaining a practice poses potential challenges for any advisor, women encounter barriers that disproportionately or uniquely impact their success as advisors.

For firms that successfully address these issues, opportunities abound. A diverse advisorforce confers a multitude of advantages that will allow firms with greater diversity to win marketshare, especially as diversity, equity, and inclusion (DEI) initiatives gain traction.

The State of Advisor Gender Diversity

Women advisors are drastically underrepresented, notwithstanding marginal gains in recent years. Although they represent 50.8% of the U.S. population, women account for only 18.1% of total financial advisor headcount, as of year-end 2019.

The pace of change has been slow, but steady. Women’s representation in the financial advice industry has gradually ticked up over the past few years, rising 2.4 percentage points from 15.7% in 2015. This growth, although minor, is an encouraging indicator of progress. Women’s minority status in the industry exacerbates the challenges they face, given that it creates a sense of isolation and makes it more difficult to find peers with similar experiences.

“There is no support. It’s very isolated; it’s a boys’ club.”
- Woman Advisor



Progress has been slow, despite the recent heightened attention on advisor diversity.

18.1%

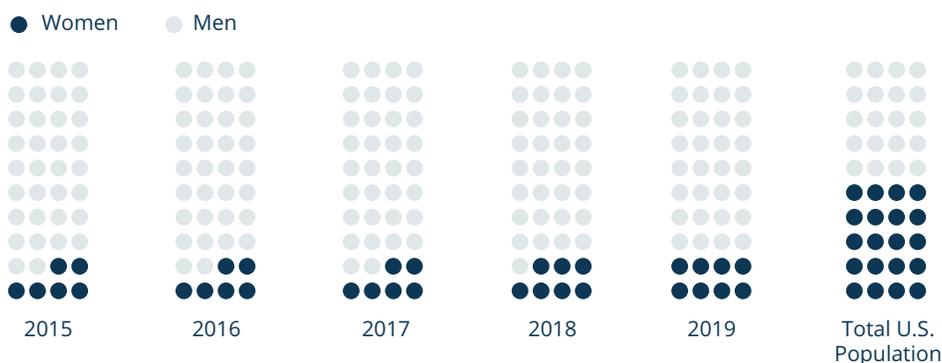
of financial advisors are women as of year-end 2019, which equates to a 2.4 percentage-point increase from 15.7% in 2015.

63%

of advisors agree or strongly agree that their firm’s leadership is working to increase diversity among its advisors. However, only 41% of advisors agree that their firm’s diversity efforts have been impactful so far.

Advisor Gender, 2015-2019

	2015	2016	2017	2018	2019	Total U.S. Population
Women	15.7%	15.9%	16.2%	17.2%	18.1%	50.8%
Men	84.3%	84.1%	83.8%	82.8%	81.9%	49.2%



Sources: Cerulli Associates, Meridian IQ, Investment Company Institute, Insured Retirement Institute, VARDS, Strategic Insight/SIMFUND, Investment News, Judy Diamond, Department of Labor, PLANSPONSOR, S&P Capital IQ MMD, Financial Planning, Financial Advisor Magazine, Investment Advisor Magazine, and Cerulli Associates, in partnership with the Investments & Wealth Institute, WealthManagement.com, and the Financial Planning Association® (FPA®).



Tactical Tip

Volunteer for community activities that build awareness of the profession (e.g., nonprofit organizations, industry associations)

Untapped Opportunities

Women are more likely to work with women as clients. For 58% of women advisors, at least half of their primary client contacts are women, compared to only one-third of men advisors.

Connecting with women clients mitigates the risk of asset attrition upon wealth transfer. Women typically have longer life expectancies and are, therefore, likely to outlive their spouses, if they're male. According to the U.S. Census Bureau, as of 2018, women's average life expectancy is 81, whereas men are expected to live to age 76. Cerulli estimates that \$70 trillion of wealth will transfer to heirs and charities over the next 25 years. Women will often be the first beneficiaries of those assets in motion. Advisors who fail to engage female spouses and proactively establish a trusted relationship with them, ultimately face a higher risk of asset attrition upon the death of their male clients.

Although men advisors can certainly work with women clients as well, advisor diversity ensures that the firm offers a range of perspectives and can adequately engage a broad spectrum of investors. Clients want to work with an advisor who takes the time to listen to them and understand their needs, goals, and preferences. Shared life experiences can help advisors find that common ground with clients. To the extent that gender facilitates those shared perspectives, it can also facilitate greater trust and comfort for clients. For example, some women advisors specifically target unengaged female spouses and women in transition (e.g., divorcees, widows) as client niche segments.

Women Primary Client Contacts, 2020

Percentage of Women Primary Contacts	Men Advisors	Women Advisors	Difference
<10%	2%	1%	-1.1 pp
10% to <20%	6%	2%	-3.8 pp
20% to <30%	14%	6%	-7.8 pp
30% to <40%	19%	18%	-1.0 pp
40% to <50%	26%	15%	-11.0 pp
≥50%	33%	58%	24.7 pp

Sources: Cerulli Associates, in partnership with the Investments & Wealth Institute, the Financial Planning Association® (FPA®), and the Investment Adviser Association.

Analyst Note: Respondents were asked to provide, out of their practice's total client relationships, the percentage of primary contacts who are women.



Advisor diversity opens doors to underserved client segments. Firms can better serve clients if their advisorforce more accurately reflects the diversity in end-investor markets.



Women advisors are more likely to engage in financial planning with their clients, which aligns them well with an industry-wide increase in planning adoption.

77%

of a woman's client base receives financial planning services, and women expect that proportion to increase to 85% by 2022.



Tactical Tip

Contact local colleges and universities to connect with students exploring a potential career in financial services

Barriers to Entry

The high failure rate, unstable compensation, pressure to meet revenue or production goals, and lack of familiarity with the profession are among the top factors that discourage women from entering the industry.

Women often don't consider becoming a financial advisor because they may have never met an advisor who looks like them, and are less likely than men to be referred into the profession by a personal contact. Limited interactions with the industry and media portrayals can also reinforce potential misconceptions, leading them to underestimate their ability to serve clients holistically as advisors. The earlier firms can build awareness of women advisors' successes and share their experiences, the sooner they can combat these deterrents.



"The perception is different from the reality. We need to be able to share the 'if you see it, you can be it' mentality."

- Woman Advisor



Misconceptions, instability, and biases deter diverse candidates from becoming advisors.

19%

of women advisors were referred into the industry by a personal contact, compared to 29% of men.



Lack of stable compensation when starting out is a major factor discouraging diverse candidates from entering the industry, according to 56% of women advisors.

Top Factors Discouraging Diverse Candidates from Entering the Industry, 2020



58%

High risk of failure when starting out



56%

Lack of stable compensation when starting out



55%

Pressure to meet revenue or production goals



54%

Lack of familiarity with the financial advisor profession



40%

Aversion to aggressive sales culture

Sources: Cerulli Associates, in partnership with the Investments & Wealth Institute, the Financial Planning Association® (FPA®), and the Investment Adviser Association.

Analyst Note: Data includes only responses from women advisors, and represents the percentage of women who consider it a major factor.

A woman in a white blazer is presenting to a diverse group of people seated in a conference room. She is standing at the front, gesturing towards a large whiteboard. The audience consists of men and women of various ages and ethnicities, all looking towards the presenter. The room has large windows in the background, letting in bright light.

Tactical Tip

Take unconscious bias training to recognize and address subtle, implicit biases



“I think our industry needs to do a better job of portraying the role of a financial advisor. Many people believe that to be successful, a person needs a financial degree or background, so they self-select from this career. I know many very successful advisors who came from education, business, engineering, and social services.”

- Woman Advisor

72%

of rookie advisors with three years or less of experience report that they are responsible for building their client base from scratch.



To build community and support new women advisors, consider engaging in mentorship programs that allow you to act as a mentor to women entering the financial advice profession.

The main deterrent is instability. New advisors face a steep learning curve as they obtain their licenses, develop foundational skills, and practice business development strategies (e.g., sales techniques, client acquisition, relationship management)—all while establishing a client base. For any trainee, this can feel like far too great of a risk. The average rookie advisor is 38 years old. In their late 30s, these advisors likely have families with young children or aging parents in need of support. However, the impact on women is magnified. Women—more often than men—shoulder the responsibility for these caregiving tasks, and therefore, are more likely to prioritize work-life balance and stability.

Variable compensation contributes to this sense of instability. Although most new advisors earn a base salary as part of their training program, the role quickly evolves into an “eat-what-you-kill” model, wherein compensation is based primarily on business acquired by the advisor. Women can be reluctant to embrace this instable compensation model, especially if they are career changers or caregivers. Plus, variable compensation emphasizes business development, which is incongruent with the purpose-driven mindset that initially attracts these candidates to the profession; 91% of rookies consider a desire to help others achieve their financial goals to be a major factor in their decision to pursue an advisory career.

For established advisors, these factors, such as instable compensation, are generally no longer barriers and the unlimited earning potential is appealing. Getting to that point, however, remains challenging, particularly for diverse candidates.



Tactical Tip

Share your experiences with new or prospective advisors to dispel misconceptions about what it means to be a financial advisor

Barriers to Advancement

Headwinds are stronger for women advisors, who face a steeper climb than their male peers. Work-life imbalance, limited access to prospecting networks, lack of diverse leadership, insufficient mentoring from successful advisors, and implicit bias pose the greatest challenges as they grow their practices. Although men also encounter obstacles, they are more likely to be speedbumps, not roadblocks.



Work-Life Imbalance

Balancing personal and professional responsibilities is rarely simple for working parents or caregivers. However, women—more so than men—feel torn between their work and their families because women disproportionately engage in caretaking for kids, aging parents, or both.

The pressure to simultaneously be present as mothers, wives, and professionals forces women to overextend themselves. Unaccommodating firm policies and expectations only strain this tension further, leaving women with no choice but to step back or step away from their careers.



Limited Visibility of Women Leaders

Diverse leaders are more likely to create advancement opportunities and career pathways for diverse advisors, given that they can identify with the systemic inequalities facing underrepresented groups. They are more likely to enact inclusive policies, stimulate internal discussions, and be a role model for others.

It's critical that women have leaders who can not only relate to their circumstances, but more importantly, use their influence and authority to champion their needs.



Implicit Bias

Implicit bias refers to unconsciously held attitudes and beliefs that reflect stereotypes about a group of people. Compared to obvious structural barriers or overt discrimination, it is particularly difficult for firms to identify and change implicit biases that subtly permeate interactions.

Microaggressions are a prevalent manifestation of bias. These remarks—sometimes well-intentioned—make women feel “othered.” They are a subtle form of discrimination and although they appear ostensibly trivial, they are rooted in sexism.

27%

of men advisors are between ages 45 to 54, compared to 20% of women—a 6.7 percentage-point difference.

84%

of women advisors consider work-life imbalance a moderate or major challenge to their success.



Opportunities are not equally distributed, and intersectionality compounds these inequities.

76%

of women believe that implicit bias poses an obstacle for diverse advisors.

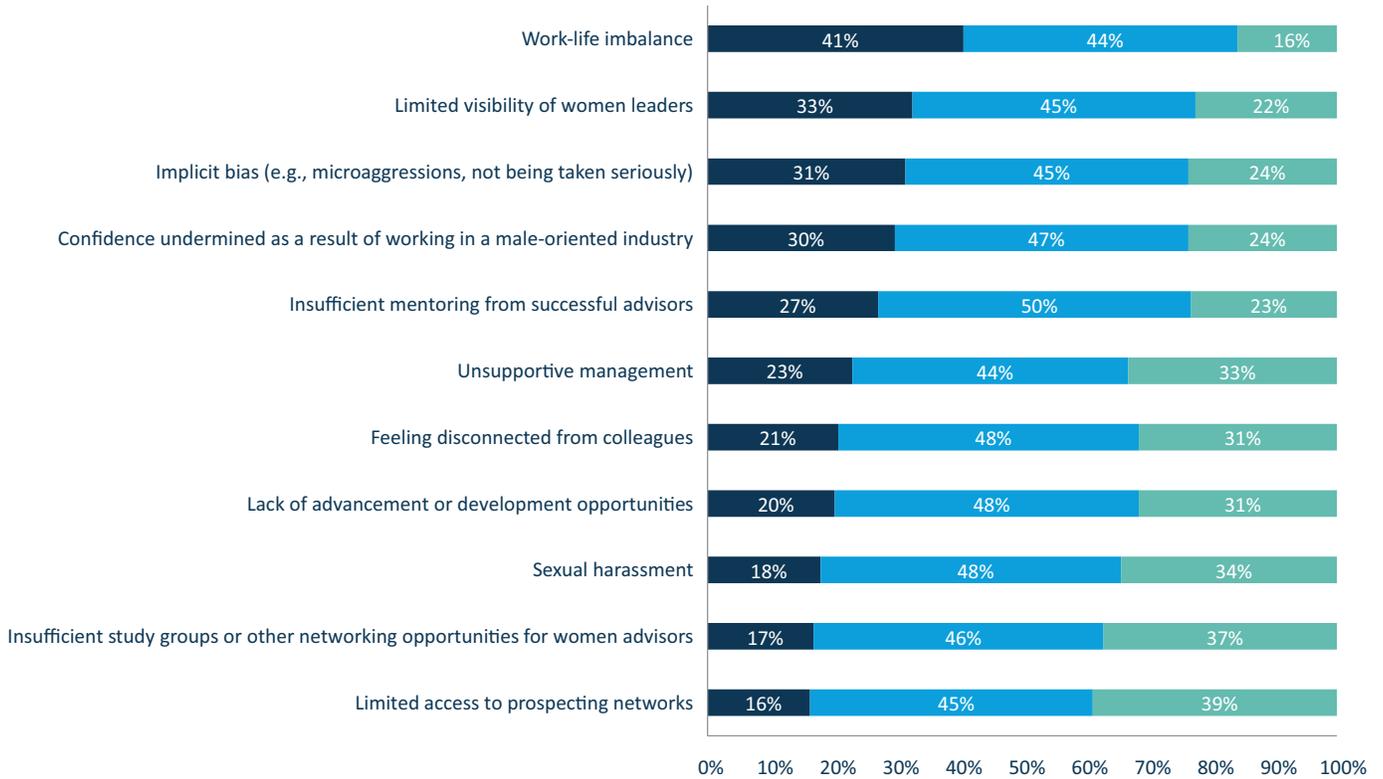


Tactical Tip

Challenge bias openly;
speak up and speak out to
advocate for change in the
financial advice industry

Women Advisors: Obstacles to Success, 2020

■ Major obstacle ■ Moderate obstacle ■ Not an obstacle



Sources: Cerulli Associates, in partnership with the Investments & Wealth Institute, the Financial Planning Association® (FPA®), and the Investment Adviser Association

Analyst Note: Respondents were asked if they believe the following factors present obstacles for women advisors to succeed in the industry today. Data includes only women advisors.



“The fact of the matter is, I’ve never been offered a client. The tools and mechanisms aren’t there. You’re not included in the activities; you aren’t invited to join the teams.”

-Woman Advisor



“Listen to someone in the industry for 10 years, they’ll tell you they can pick up their kids, go on vacation, etc., but it takes a long time to get there.”

- D&I Executive

A close-up photograph of a person's hand reaching for a book on a red library shelf. The hand is positioned on the left side of the frame, with fingers gently grasping the spine of a light green book. The background is filled with rows of books on shelves, creating a sense of a well-stocked library. The lighting is soft and focused on the hand and the book being touched.

Tactical Tip

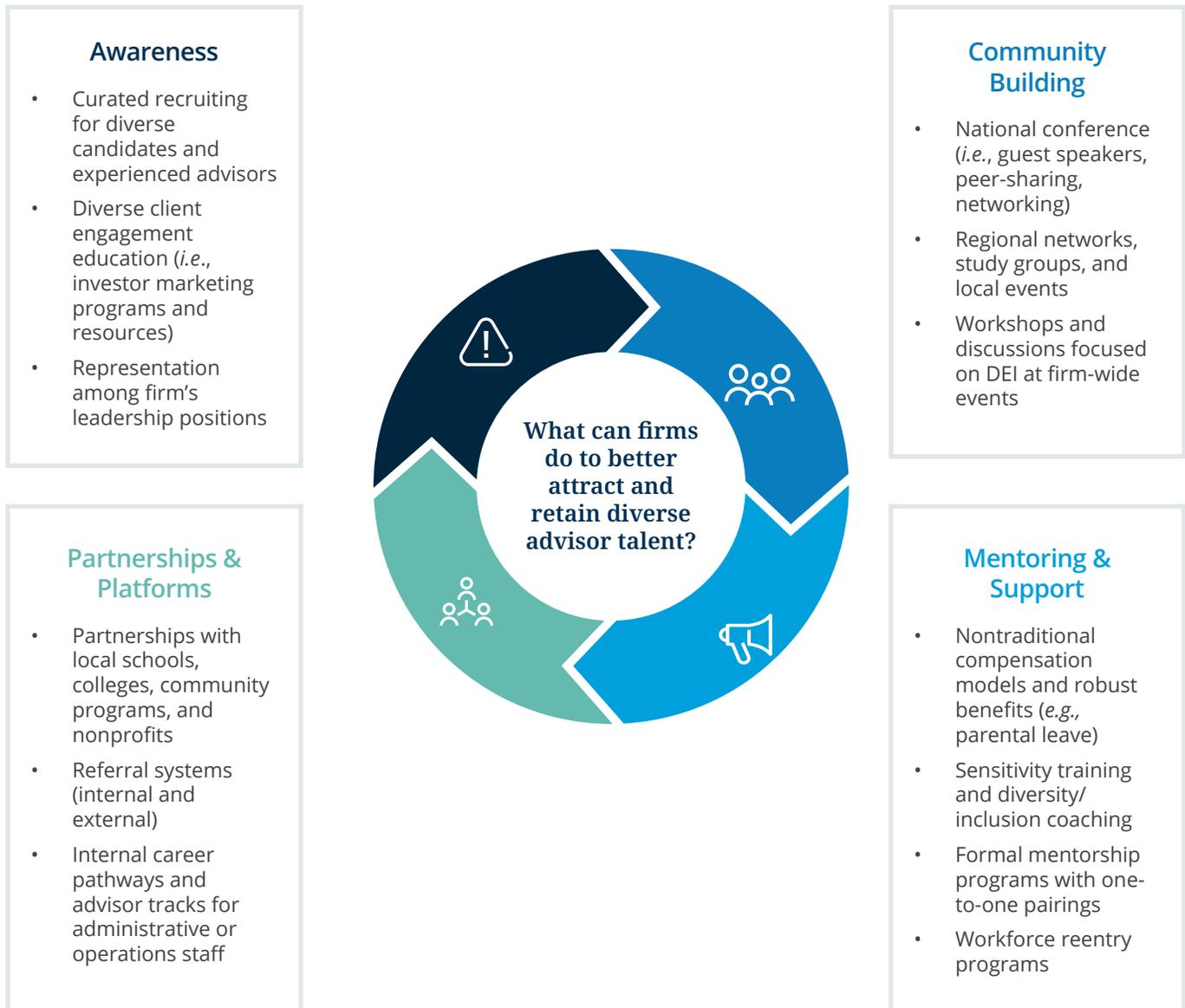
Seek out educational resources on antiracism, gender inequities, and allyship

Time for Change

The past year has stirred considerable conversation about the industry's lack of advisor diversity. However, wealth management firms must move beyond paying lip service and translate talk into action.

Engaging in discourse on diversity, while important, is not enough. Through continued investment in DEI initiatives, firms can demonstrate their commitment to creating a more welcoming and supportive environment for women advisors.

This is the moment to reinvent the workplace. Following the upheaval of the COVID-19 pandemic, advisors have a unique chance to challenge the status quo. Norms around flexibility, remote working, and work-life balance have shifted in ways that many would have never anticipated. B/Ds and independent firms can capitalize on this moment to radically restructure their policies (*i.e.*, compensation, benefits, revenue/production goals), thereby reducing the obstacles facing women advisors.



"It's better to have conversations, even if they're uncomfortable, rather than not have them at all."

- D&I Executive

A person's hands are shown holding a white tablet computer. The background is a blurred office desk with a white keyboard, a white coffee cup, a pen, and some papers. A white text box is overlaid on the image, containing the text.

Tactical Tip

Evaluate your website, brochures, and other marketing materials to ensure that women are adequately represented



CERULLI
ASSOCIATES

Authors



Marina Shtyrkov

Senior Analyst, Wealth Management



Stephen Caruso

Analyst, Wealth Management

Offices

United States

699 Boylston St.
Boston, MA 02116
+1 617-841-1011

Europe

Valiant House
4-10 Heneage Lane
London EC3A 5DQ
United Kingdom
+44 (0)20 7645 9040

Asia

10 Anson Road, #24-15
Singapore, 079903
+65 6327 4045

Cerulli for Research and Consulting

For nearly 30 years, Cerulli has provided global asset and wealth management firms with unmatched, actionable insights.

Cerulli Associates is a global research and consulting firm that provides financial institutions with guidance in strategic positioning and new business development. Our analysts blend industry knowledge, original research, and data analysis to bring perspective to current market conditions and forecasts for future developments.

Cerulli's research product line includes the Cerulli Report series, the Cerulli Edge series, and Cerulli Lodestar.

 info@cerulli.com

 www.cerulli.com

 [@cerulli_assoc](https://twitter.com/cerulli_assoc)

 [/cerulli-associates](https://www.linkedin.com/company/cerulli-associates)