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CONTACT:

Ben Lewis
Financial Planning Association
BLewis@OneFPA.org
P: 303.867.7190

Joan Warner
Financial Advisor IQ
jwarner@financialadvisoriq.com
P: 212.542.1288

New Study: Advisory Firms Struggle to Design Competitive Compensation and Benefits Packages

FPA/Financial Advisor IQ 2015 Trends in Adviser Compensation and Benefits Study reveals key metrics in compensation, benefits and other drivers of job satisfaction

DENVER – With more Americans approaching retirement, the pressure is building on the financial advice profession to recruit top talent to serve clients' needs. But are advisory firms today offering competitive compensation and benefits? That is the question the **2015 Trends in Adviser Compensation and Benefits Study** by the FPA Research and Practice Institute™ (RPI), a program of the Financial Planning Association® (FPA®), and *Financial Advisor IQ*, a news service of the Financial Times, seeks to answer.

Although many advisory firms design sophisticated compensation programs to drive their growth strategies, the study found only 31% of firms feel their compensation package is highly competitive compared with other firms of their size. And while more than three-quarters of survey respondents said they are satisfied with their jobs, fewer than a quarter felt the same way about their pay.

In addition to compensation and job satisfaction, the survey explores advice firms' hiring and outsourcing plans and looks at their investment in team development.

The study includes input from 694 professionals across the country and in a range of roles within the profession, including FPA members and non-members, CERTIFIED FINANCIAL PLANNER™ (CFP®) professionals, advisers across all channels and a wide range of business sizes and models. It was conducted through an online survey in February 2015 by Julie Littlechild of If Not Now Research and has an overall margin of error of +/- 3.72%.

"We are pleased to partner with *Financial Advisor IQ* to reveal how firms are addressing compensation and hiring challenges and identify what they plan to change in the years ahead," says FPA Executive Director/CEO Lauren M. Schadle, CAE. "This new research will help CEOs and principals, senior advisers and planners, junior advisers and key support staff better understand how their compensation and benefits stack up to others in the profession."

For example, the study found a disconnect between which benefits decision makers consider most important and which are most valued by staff members. Still, when decision makers and staff were asked to identify the five benefits they consider most valuable, the top three for both groups were health insurance, 401(k) plans and vacation time.

“The war for talent in the advice space gets more cutthroat all the time, both between channels and within them,” says Joan Warner, managing editor of *Financial Advisor IQ*. “By drilling down into what really drives team engagement, our study can help firms design compensation plans to attract and retain the crème de la crème.”

Key takeaways from the survey include:

- Only 26% of respondents are very satisfied with their compensation, and just 27% are very satisfied with their benefits packages.

- Perhaps not surprisingly, job satisfaction is closely correlated with role. Whereas 65% of CEOs say they are very satisfied with their jobs, only 22% of support staff say the same.

- More than half of firms plan on hiring within the next 12 months, with RIAs driving most of the activity — yet a quarter of firms say their hiring process leaves something to be desired.

- The average firm spends almost $15,000 a year on team development. However, most training and mentoring is done informally.

Overall, the study findings suggest that acceptable compensation and benefits are table stakes for team members. If they are not satisfied with those two elements, they are likely to be dissatisfied overall. However, if team members are generally satisfied with compensation and benefits, other factors will drive them from being somewhat satisfied to being very satisfied with their jobs.

And although respondent firms plan to hire new team members over the next year, attrition risk remains. Our study found decision makers and staff disagree on why people leave their firms. The former believe employees quit because they weren’t a good fit for the job or they want to change careers. But for non-decision makers, compensation is most often given as the primary reason for leaving, followed by lack of satisfaction with the work environment.

“The data highlights a need for the decision makers in any firm to ensure they have clear and objective feedback on what is most important for the team,” says Julie Littlechild, president of If Not Now Research. “This is an area where assumptions may hurt team engagement.”

The complete **2015 Trends in Adviser Compensation and Benefits Study** is available **HERE** and includes additional details and analysis of these issues.

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