



# NEWS RELEASE

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## Study Reveals Trends, Gaps and Opportunities in the Financial Advisory Business

*Inaugural study of the FPA Research and Practice Institute provides financial advisers a benchmark in several key areas of business operations*

DENVER – While financial advisers assist clients in planning for their eventual transition out of the working world and into retirement, they are falling short in planning for their own futures, revealed ***The Future of Practice Management***, an inaugural study by the FPA Research and Practice Institute – a program of the Financial Planning Association® (FPA®).

The study – which included nearly 2,400 professionals, including financial advisers, junior-level advisers, support staff, and non-adviser management – was conducted to provide a comprehensive assessment of current and future trends for financial advisers related to managing and growing an advisory business. The data gathered is designed to help assess advisory businesses on a range of practice management metrics; identify potential gaps in advisory businesses; and identify trends that may impact how advisers do business in the future.

While the study, done in collaboration with New York-based Advisor Impact, examined several key areas of business operations, including business planning, marketing, and human resources, a major theme evolved that indicated that financial advisers are not widely considering their own business and personal retirement planning. The data shows:

- 50% of financial advisers do not have a written business plan
- 46% of financial advisers do not have a retirement plan for themselves, yet 40% are planning to retirement within the next 14 years
- Only 25% of financial advisers have a succession plan in place to ensure their business transitions appropriately when they retire – the percentage with a formal plan increases slightly to 31% at age 60-64 and 41% at age 65+

Though some advisers may not be “practicing what they preach,” a likely culprit for their inability to plan for their own future may fall squarely on a simple lack of time. The study exposed that while advisers recognize that time management is among the most important business attributes they can possess, they are struggling to manage their time effectively.

“In any business, your chief priority is to serve your clients and customers. Unfortunately, that often means sacrificing your own well-being,” said Lauren Schadle, CAE, FPA executive director and CEO.

“What is encouraging is that our study revealed that younger advisers (those under age 40) are more likely to have a written business plan (61%) than older advisers. Not surprisingly, the study also revealed that larger firms are more likely to have a plan in place. Our future studies will delve into this further to examine the relationship between personal planning for advisers and their business success.”

Other thought-provoking takeaways from *The Future of Practice Management* study included the future shift of advisers toward wealth management as a descriptor, and the lack of understanding of who advisers serve.

### **Shift to Wealth Management:**

In an effort to clearly describe what they do for clients, many advisers are planning to change how they position their businesses with clients within the next five years. The study shows:

- 76% of Money Managers indicate they will change. Of those who plan on changing, 44% will transition to Wealth Managers
- 72% of Investment Planners indicate they will change. Of those who plan on changing, 46% will transition to Wealth Managers
- 53% of Financial Planners indicate they will change. Of those who plan on changing, 62% will transition to Wealth Managers
- Only 30% of Wealth Managers are planning to change

For the purposes of this study, wealth managers are defined as those advisers who specialize in comprehensive wealth management and transfer issues including stock-option planning, executive compensation, complex trust and estate planning, and charitable giving. The definition mirrors that used in other industry studies for consistency.

### **Lack of Understanding of Who Advisers Serve:**

Advisers, like any other professional, endeavor to grow their businesses by identifying individuals and families who are good candidates for their services. However, advisers are not clearly defining who they serve. The study shows:

- Only 25% of advisers have a formal definition of their ideal client which describes the best candidates for their services
- Only 38% of advisers who have defined their ideal client say 75% or more of their current clients fit their definition
- Advisers are more likely to set an asset minimum (43%) than to have a definition of their ideal client

“Advisers spend a great deal of time building great relationships. They spend considerably less time on building great businesses and we believe that this creates risk for advisers, clients and the industry,” said Julie Littlechild, CEO of Advisor Impact. “This research holds a mirror up to the industry and helps



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advisers take stock and focus on building and executing a plan for their businesses with the same passion they would apply to building and executing a plan for clients.”

A full report of *The Future of Practice Management* study is now available [HERE](#) and includes additional details on these issues and other areas of business operations.

With these benchmarks in place, the FPA Research and Practice Institute will begin conducting quarterly studies in 2014 that will provide deeper analysis on the gaps in advisory businesses. The research will be provided to advisers through a series of reports and whitepapers as well as the development of a suite of tools and resources for advisers to create more efficient, prosperous businesses.

“FPA endeavors to provide our more than 23,000 members, including 16,000 CERTIFIED FINANCIAL PLANNER™ (CFP®) professionals, with one connection to opportunities for business success. The work we are doing through the FPA Research and Practice Institute will make all of our members better business owners now and in the future,” added Ms. Schadle.

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### **About the Financial Planning Association**

Since 2000, the Financial Planning Association® (FPA®) has been the principal professional organization for CERTIFIED FINANCIAL PLANNER™ (CFP®) professionals, educators, financial services professionals and students who seek advancement in a growing, dynamic profession. More than 23,000 FPA members adhere to the highest standards of professional competence, ethical conduct and clear, complete disclosure to those they serve. Through a collaborative effort to provide members with One Connection™ to tools and resources for professional education, business success, advocacy and community, FPA has become an indispensable force in the advancement of today’s CFP® professional. Learn more about FPA at [OneFPA.org](http://OneFPA.org) and follow on Twitter at [twitter.com/fpassociation](https://twitter.com/fpassociation).

### **About the FPA Research and Practice Institute**

The FPA Research and Practice Institute is the CFP® professional’s One Connection™ to practice and business management insights that help financial planners achieve business success. A program of the Financial Planning Association® (FPA®), the Institute conducts original research on business-centric topics and issues, including operations, personnel, human resources, marketing and technology. Detailed analyses, reports, whitepapers and resources, based on the research, are made available to financial planning professionals to help them identify their business gaps and address them. Learn more [here](#).