



# RECRUITING AND TRAINING FOR BLACK FINANCIAL PROFESSIONALS

By 2045, America will be a majority-minority country.<sup>1</sup> Significant new revenue will be in play. This new wealth creation will require advisors to manage it.

In recognition of our changing demographics, our goal is to significantly increase the number of Black advisors who enter and are successful in our industry. There are approximately 150,000 financial advisors in the U.S. today, and of that total, only about 10,000 are Black. We need to increase the percentage of Black advisors from 6.9% today to more accurately reflect their current 13% representation of the nation's population.<sup>2</sup> Bringing the number of advisors to 20,000 would more accurately reflect the racial makeup of our country. It is time that the industry looks more like our diverse nation.

Financial services firms are at varying levels of commitment and implementation of Diversity & Inclusion (D&I) initiatives. Within these organizations, different departments may be tasked with moving the needle. In some cases, corporate functions like Human Resources, Diversity & Inclusion, and Leadership & Development are leading initiatives. In other organizations, Sales Leadership professionals are seeking underrepresented candidates and wish to develop and retain them. Financial services firms are challenged to find Black candidates. Nearly half of advisors (45.7%) say their biggest challenge is recruiting and hiring the right people. Additionally, firms with diversity initiatives are more likely to report success with hiring efforts than those that do not execute on these priorities (85% vs. 70%).<sup>3</sup>

Potential employees may or may not be looking for financial advisor positions, because they are not aware of the job or the opportunity. According to the CFP Board, several factors account for the lack of diversity, including that the profession is not on their radar.<sup>4</sup> Few Blacks have a natural path to careers in financial services. The top 5 reasons for underrepresentation of people of color include: lack of opportunities (20%), racism in the field/country (18%), lack of education (16%), lack of mentors/support (14%), already white field/boys club, "white male" focused (12%).<sup>5</sup>

Once on the payroll, hiring firms need programs to help develop and retain new advisors. Retention and turnover are weighty issues for financial services firms, with attrition estimates in the 70-80% range after three years. According to FINRA, more individuals (7%) left the industry than joined (6%) in 2019. Nearly 61% of Black advisors in the financial services industry felt that there were challenges that specifically affect their success compared to just 19% of non-Black respondents.<sup>6</sup>

Another important area where Black advisors felt their company could enhance their success was through networking. One Black advisor felt that her circle of influence did not "reflect the ideal target market for the company." Another suggested "most of us don't really know any CPAs, attorneys, or people with good high-paying jobs that can afford to invest." This poses a challenge because survey results indicate that 47% of income earned by Black advisors came from Black clients. Two of the most common challenges faced by Black advisors were lack of professional mentorship (41%) and lack of a natural market for clients (27%).<sup>7</sup>

The costs associated with turnover are great due to the challenges associated with recruiting, the high level of knowledge and training associated with the client-facing position, as well as lost productivity and performance. Direct and indirect costs can equal 90-200% of an employee's annual compensation.<sup>8</sup>

We know that participation in study groups fosters a sense of belonging and greater success.<sup>9</sup> Other benefits of study groups include reviewing goals, holding each another accountable, and providing insights and advice. Study groups also help refine job skills.

By partnering with The American College of Financial Services, your firm will gain access to resources that help you find, recruit, and develop Black advisors.

### **How The American College of Financial Services Will Address These Challenges**

The College will perform an initial assessment to understand how firms create awareness around potential jobs, as well as any potential pipelines for college graduates or returning talent. The assessment will also review where employers are looking for potential employees.

As it relates to potential obstacles in hiring, the review will determine why job descriptions may not be attracting diverse candidates, if firms are recruiting the right skills, or if the hiring process is unintentionally biased. It will identify important information about success criteria and retention tools.

Once candidates are identified, we will help with best practices for onboarding and preparing candidates for success, development, and retention. 51% of Black advisors strongly agreed that their mentor was an important part of their success, and 41% cited a lack of professional mentorship as a common challenge.<sup>10</sup>

We will provide a facilitator to each participating firm as well as potential discussion topics.

The College will hold orientation sessions with facilitators/moderators to explain study goals and program guidelines. Once implemented, The College will work with moderators to collect appropriate data at agreed upon intervals, and modify the program, if appropriate. The College will share outcomes with participating firms.

We have created a study group structure, which includes all of the necessary elements required to launch and manage the rollout of this important development and retention tool. Study group cohorts can be single-firm and restricted to advisors, mentors and home office executives of that firm, or a group of independent advisors who operate under non-compete and non-solicitation agreements.

Managers submit a moderator/facilitator bio, and identify potential candidates for study group participation.

The candidate application includes:

- Length of service, any licenses, designations, degrees or certifications
- Business Model; fee-only, commission or hybrid
- Area of specialty if applicable
- Where they are in their career continuum

## ABOUT THE AMERICAN COLLEGE CENTER FOR ECONOMIC EMPOWERMENT AND EQUALITY

The American College Center for Economic Empowerment and Equality is the flagship for research, thought leadership, curriculum and course development, programming, and scholarships aimed at cultivating lasting relationships between financial services and all underserved communities.

## ABOUT FOUR STEPS FORWARD

An approach led by a broader coalition of financial services firms can narrow the racial wealth gap, promote professional diversity, and fortify relationships with communities of color. *Four Steps Forward* is a big, bold initiative focused on delivering pro-business, pro-community outcomes that promote upward mobility and wealth building for Black America.

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## CONTACT INFORMATION

The American College of Financial Services  
630 Allendale Rd, Suite 400  
King of Prussia, PA 19406

Equality@TheAmericanCollege.edu  
TheAmericanCollege.edu/Equality

## SUPPORTING RESEARCH

**1.** U.S. Census **2.** U.S. Bureau of Labor **3.** Nearly half (45.7%) of advisors say their biggest challenge is recruiting and hiring the right people, compared to just 21.9% for the next-most-common challenge: generating enough revenue and profit to support a team. Firms with diversity initiatives are more likely to report success with hiring efforts (85% vs. 70%) according to a FlexShares Advisor Teams and Diversity Study, 2020. **4.** From the CFP Board, a white paper titled, Racial Diversity in Financial Planning: Where We Are and Where We Must Go, highlighted three broad factors account for the lack of diversity status quo. (1) Economic Inequality and Cultural Norms, Resulting in: Lack of confidence, Fear of not fitting in, Pay structure panic, Profession not on radar. (2) Firms' Hiring and Onboarding Policies: Focus on immediate return, Subjective hiring criteria, Commission structure. (3) Clients' Inherent Biases: Preferences for someone with similar background. **5.** CFP, Racial Diversity Among Financial Planners, 2018. **6.** In a 2018 research report by Nationwide Insurance Company and The American College, 61% of black advisors felt that there were "challenges that specifically affect the success of black advisors in the financial services industry," compared to just 19% of non-black respondents. **7.** 2018 research report by Nationwide Insurance Company and The American College. **8.** Financial Advisor Retention Strategies, Anthony Latere Williams, Walden University, 2020. **9.** <https://www.advisorperspectives.com/articles/2018/07/10/how-to-start-your-own-study-group> **10.** Results from the study clearly reveal the importance of mentorship. For Black advisors, 51% strongly agreed that their mentor was an important part of their success, while 44% of non-black advisors agreed. Two of the most common challenges faced by black advisors were lack of professional mentorship (41%) and lack of a natural market for clients (27%). Research report by Nationwide Insurance Company and The American College, 2018.