NEWS RELEASE

Fidelity® Asks Advisory Firms: "Are you Developing Future Leaders or Future Leavers?"

1/13/2016

First-of-its-kind1 study from Fidelity uncovers what advisory firms can do to retain and develop coveted class of young, successful financial advisors
BOSTON – Fidelity Clearing & Custody Solutions, the division of Fidelity Investments that provides clearing and custody to registered investment advisors (RIAs), retirement recordkeepers, broker-dealer firms, banks and insurance companies, today released its Future Leaders Study2, uncovering the wide-ranging career paths of young, successful financial advisors – or more aptly named "Future Leaders." The study spotlights the challenges these Future Leaders faced in their early years, to the opportunities they have embraced, to what can drive them to stay – or potentially leave – their current firms. Interviews during in-depth focus groups with young advisors whose practices were already successful and continuing to grow, reveal three critical steps firms can consider taking to support these advisors on their journey — 1) stabilize, 2) evaluate and 3) accelerate – in order to groom them from "advisors with potential" to the next generation of firm leaders.

With more than one in three RIA firm owners (37 percent) planning to exit the business within the next 10 years3, one attractive succession plan is to look to the next generation of talent within the firm. That track, however, is becoming increasingly difficult to execute. Three out of four RIA firms do not have next generation owners in place4 and the industry at large is estimated to face a shortage of 10,000 advisors by the year 20205. Recruiting new advisors is a critical first step, but only one in five new trainees go on to become productive advisors6. How can firms bridge the gap?

"You hear a lot about the war for talent, but I don't think firm leaders take the second and third rounds of battle as seriously as the first. Recruiting smart, motivated individuals is important, but can you keep them and can you groom them into future leaders?" said Jylanne Dunne, senior vice president, practice management and consulting, Fidelity Clearing & Custody Solutions.

"Individual motivations may differ, but there are some underlying basic needs and aspirations of next generation advisors which firms are, in many ways, already capable of supporting. The real opportunity exists in formalizing this support to develop and retain top talent," Dunne continued.

STEP 1: Stabilize – Help young advisors get established
Young, successful advisors who participated in the study agreed that the early years of their career were challenging. Variable compensation, unclear career paths and the difficulty in establishing a book of business were common challenges that caused one study participant to lament, "I never would have started in this business..." Firms can help talented advisors stick with it by establishing some stability in the early years. Some considerations for firms include:

- Provide Supportive Team Structures: Embed new advisors in teams, establish formal mentoring programs, consistently provide one-on-one coaching after client interactions, provide training on important matters such as Social Security, healthcare and pensions to help build credibility with older clientele.
- Alleviate Excess Pressure: The initial burden of establishing a book of business can mean several years of unpredictable income for new advisors, creating a distraction that may impact performance. Consider offering a safety net through salaried positions and helping them establish fruitful prospecting channels by introducing young advisors to one or two strong Centers of Influence (COIs).
- Provide Transparency and Direction: From the beginning, take the mystery out of how advisors get compensated by providing training and communication on how compensation works at the firm, initially and throughout their careers. Also create a clear career path with transparent guidelines on the results needed to transition from one role to another.

STEP 2: Evaluate – Identify high performers to invest in
Fidelity's Future Leaders Study revealed eight personality traits and characteristics that young, successful advisors possess – drive, putting clients first, persistence, discipline, adaptability, inquisitiveness, people-proficiency and entrepreneurship. But it's how these advisors differ that can help firms hone in on finding the advisors who's "fit" will flourish in their firm culture. The study found that Future Leaders aligned with one of three categories:

Compassionate Problem-Solvers are motivated by financial planning and developing solutions, enjoy working with clients but are not sales-oriented, are inquisitive and enjoy learning, and are friendly, but not necessarily extroverted.
Builders are goal-oriented and driven, extroverted, entrepreneurial and confident in their ability to build relationships with people.
Competitors enjoy the "thrill of the hunt" and view that part of the job as a game, a challenge. They love to follow the markets and pick stock market "winners," are less focused on financial planning, and are motivated by money.
These Future Leaders not only exhibit unique personality traits and motivators, the study revealed they have also taken varied life paths which led to this career. Firms that pay close attention to the specific advisor profiles and

paths can make more personalized decisions that can help align teams properly and provide incentives that may truly motivate these advisors throughout their career.

STEP 3: Accelerate – Enable top talent to excel

Once firms identify top talent, they should ensure these advisors have the tools to achieve their goals. It starts by understanding how these Future Leaders defined success during their interviews. They viewed success as financial freedom, independence, gratification and flexibility. To help these young advisors meet their success metrics, firms should be prepared to:

- Be candid about compensation and career pathing: Have candid discussions about equity and ownership opportunities and provide firm support in marketing and business development to further their success.
- Help advisors serve younger investors: Most young advisors want to effectively and profitably serve peers in their age group (Gen X/Y), but require firm support to do so. Provide some flexibility in their books to serve these clients and consider leveraging a transfer of wealth situation by assigning young, successful advisors to help the children and heirs of your current clients.
- Harness technology effectively: Young, successful advisors view technology – particularly CRM – as integral to their practice, and expect their firms to adopt and use the latest technologies. Provide ongoing training on how to effectively use new tools to engage clients and acquire new prospects.
- Address industry challenges with a firm point of view and training to build awareness on burgeoning issues like the DoL fiduciary rule, the shift to passive investments and the rise of robo-advice.

"Advisors continue to switch firms and once they do, they are better paid than they were before. Firms are competing — with autonomy, profit-sharing, and education, to name a few," continued Dunne. "At the end of the day, if you aren't investing in your top young talent, someone else will."

To access the complete set of findings from the study and to listen to podcast conversations with some additional young successful advisors visit: **go.fidelity.com/futureleaders**. To access insights on recruiting young advisors, view **Fidelity's Recruiting Redefined** study.

About Fidelity Investments

Fidelity's goal is to make financial expertise broadly accessible and effective in helping people live the lives they want. With assets under administration of $5.2 trillion, including managed assets of $2.1 trillion as of November 30, 2015, we focus on meeting the unique needs of a diverse set of customers: helping more than 24 million people invest their own life savings, nearly 20,000 businesses manage employee benefit programs, as well as providing nearly 10,000 advisory firms with technology solutions to invest their own clients' money. Privately held for nearly 70 years, Fidelity employs 42,000 associates who are focused on the long-term success of our customers. For more information about Fidelity Investments, visit **https://www.fidelity.com/about**.