10 Ways RIAs Can Recruit and Retain Top Talent

by Michael S. Fischer

aRIA paper finds RIA owners seriously delinquent in planning their firm's future

Many owners of RIAs are nearing retirement, and they have not done enough to plan for the future of their businesses, the Alliance for Registered Investment Advisors reported in a new white paper released this week.

According to aRIA, most founding partners are more interested in operating their practice than in building a business, leading to several potentially deleterious outcomes.

Current employees may jump to other firms that offer a career path, and firms will be prevented from attracting the kind of talent that will keep them relevant.

"Business continuity is one of the biggest challenges facing our industry today," John Furey, founder of Advisor Growth Strategies and author of the paper, said in a statement. "The unwillingness of many RIA owners to invest in both keeping top employees and recruiting new ones is deeply troubling. Most are not willing to risk short-term economic outcomes for long-term benefit."

The paper encourages RIA owners to think about several key issues: attracting top talent and creating win-win compensation designs; establishing successful career paths for professionals and introducing ownership to key contributors; and figuring out what the next generation of talent wants and building an employee value proposition.

Firms should ask why human capital will be increasingly critical to their success, it says.

Many RIAs, lacking the resources of big institutions, struggle to find and retain the new talent they need to survive. aRIA offers 10 tips they can use.

1. Develop a "farm team" of talent through networking. Always be on the lookout for talented people. Resources available to RIAs are industry association job boards, third-party search firms, local education institutions and alumni job boards at large institutions.

2. Create an "employee value proposition" similar to the firm's client value proposition; this may be even more important than the client value proposition.

3. Hire for raw talent and character, and train the technical knowledge internally. Keep in mind that the best long-term contributors may not currently be in the financial services industry.

4. Leverage personality assessments and case studies in the hiring process. Several elite RIAs are now instituting predictive tools to help with vetting candidates. A commonly used one is personality testing done by leveraging third-party platforms such as Myers Briggs, DiSC, Koble and Strengths Finders.

5. Encourage top talent to seek out a third-party mentor or coach.

6. Develop compensation systems that are based on merit, and provide both individual and company results.

7. Make sure compensation plans are fully transparent. Avoid implementing a reward system that is owner subjective and/or overly complicated.

8. Get over the notion that sharing equity is bad. Sharing equity helps drive long-term continuity, ensures that the team has skin in the game and attracts talent.

9. Firms that lack the ability to develop internal talent should find help via leveraging outsourced coaches and consultants.

10. As the RIA grows, designate a leader within the firm to handle human resources for the company; most leading firms have an HR director.