Advisors Are Bolting – and Not Always for More Cash. How RIAs Can Keep Staff Happy.

by Gary Stern for RIAIntel

With advisors switching firms at a fever pitch, it's imperative that firms do everything they can to avoid an exodus.

Advisors are going places – literally.

According to a Cerulli Associates study, more than 5,500 RIAs (independent and hybrid) switched firms last year, representing 10% of all RIAs. Yet across all channels, these advisors had demonstrated loyalty, with an average tenure of 11.3 years at their current firm, before moving on with $380 billion in assets combined.

Like Major League Baseball players who hop team to team as free agents, advisors are increasingly switching firms. But unlike baseball players, for advisors it's not virtually always about the money.

Take Jonathan Miles, the 31-year-old director of Financial Planning at Southport Capital, a Sarasota, Florida-based independent wealth manager, with a dozen financial advisors and $700 million assets under management. A Certified Financial Planner, Miles spent seven years honing his craft at several broker dealers before gravitating to Southport Capital in June 2019.

"Money wasn't the major motivator," to switch firms, Miles emphasizes.

As a CFP, Miles was most interested in working as a fiduciary and serving the best interests of his clients. "Being under a broker/dealer, there's always a conflict of interest that's sitting in the background," he says. Products that he's asked to sell can reap a broker more income, but may not be in the best interest of his clients. That conflict made him feel uneasy.

Furthermore, clients have undergone a shift toward "passive investments primarily driven by expenses," Miles asserts. Since many clients now track their own portfolios and have access to research, they're leaning more on advisors for "transacting in the markets and their expertise in various financial topics."

Since his current firm operates as a fee-only provider, "I'm always on the side of the client," Miles says. "We're paid the same amount no matter what product we stick in a client's portfolio. It strips away the motivation to sell one product over another and makes us pick the absolutely best option for our clients," he explains.

Moving from a broker dealer to an RIA, Miles says, was like "moving from an individual sport to a team sport." At broker/dealers, he felt, everyone looked out for themselves, but at the RIA, clients are helped by a team of experts who share information on operations, client service and financial planning.

Clients are looking for more advice now, and that's driven much of the job hopping for RIAs, Miles suggests. When people are seeking advice, they pursue a fiduciary and that means RIAs, not broker/dealers.

John Furey, founder and president of Phoenix, Az.-based Advisor Growth Strategies, a financial advisory consulting firm, says two factors drive turnover: a desire for growth and a belief that the other platform is superior. He acknowledges that firms can poach staff by offering higher salaries, but often that's only one factor for leaving.

Career trajectory often fuels dissatisfaction. The company isn't growing, the advisor isn't feeling challenged, or doesn't get along with his or her manager, culminating in a lack of alignment, Furey suggests. "Sometimes the culture isn't working out for a certain professional," he notes.

At wirehouses, where there could be thousands of employees, advisors can get lost and feel powerless. "If you're on a team of eleven people, it's a lot easier to enact change in the firm," Furey says.

Yet wirehouses and large financial services firms are savvy about training their employees in innumerable ways such as compliance, marketing and encouraging certifications that stretch staff. Most small business owners don't put the time or resources into professional training, Furey asserts.

RIAs that best retain staff often focus on "career progressions," Furey says. "If they're not growing in the firm, they get bored and end up leaving." Making sure goals are aligned while providing enough certification, training, and management growth, can help forestall thoughts of leaving and encourage staff retention.

Furey expects that turnover will continue to surge. "The need for advisors is rising, and there aren't enough to manage wealth. The macro trend is there'll be more competition for talent," he says. Therefore, an owner should continually ask, what am I doing to retain my talent or risk facing a staff exodus.

Per Southport Capital's Miles, after three months, is he happy at his new firm? "Absolutely," he replies. "Everything about it!"