



Business Strategy: Compensating Financial Advisors And Staff In A Post-Pandemic World

By Morey Stettner for Investors.com

For financial advisors who run their own firm, creating a business strategy means compensating their advisors and staff rarely remain static. As the years pass, new pay practices take hold and others fade away. Yet despite all the disruption in 2020, many advisors maintained their existing pay structure. They continued to make payroll and avoid layoffs. But as the landscape changed, so did strategies to recruit and retain top employees.

John Furey has a front-row seat to all the drama. He's managing partner at Advisor Growth Strategies, a Phoenix-based management consulting firm that works with independent advisory firms.

Furey, 49, helps advisors grow their business. His consultancy has worked with more than 275 advisory firms nationwide.

In an interview with IBD, Furey reflects on the pandemic's effect on employee compensation, how advisors are stepping back to reassess their future and how to develop a pipeline of skilled workers to sustain and grow the business.

To Sail Through The Next Crisis, Tie Employee Pay To Revenue

IBD: To what extent did the pandemic affect advisors' ability to pay their staff?

Furey: From our work doing compensation plans for advisory firms, we've found there isn't a correlation between compensation and Covid. The reality is the markets have held up, and that has really helped. Advisors are saying, "There's been no degradation to our revenue, so we can pay our people as we always have."

IBD: Even if their firms are doing well, are advisors rethinking their approach to compensation?

Furey: Compensation is the No. 1 cost of any firm. So it's important to understand how your compensation plan works with your revenue model. You need to think through if something happens to your revenue model — if you take an unexpected hit — how does that affect your compensation plan? Do some modeling to answer that question. That can save you from a minicrisis.

IBD: So what revenue model do you suggest?

Furey: If your compensation plan is tied to a salary-based system with target incentives linked to your team's salary, then if markets go down, you still have salary-based incentives in place. There's risk if compensation incentives are correlated to salary, not revenue or profits. The more compensation is fixed, the more risk to the owner of the firm. Industry participants may have forgotten that, because markets have mostly gone up since 2009. On

the other hand, if your compensation plan is tied to your firm's revenue or profit, that better aligns interests and provides downside protection. Then it's variable. If revenue declines, a firm's incentive plan will go down with it, providing protection to your compensation plan and firm profits.

How Has Remote Work Affected Business Strategy?

IBD: How about the shift to remote work? Has that impacted pay?

Furey: No one is thinking that your pay or incentives should change if you're working from home.

IBD: Has the past year led to any reevaluation of compensation practices?

Furey: What Covid has done is led advisors to think more about the future. They wonder if they should sell their firm or maybe give equity or other long-term incentives to their team. Advisors are asking, "Where should I take my firm in the coming years?"

IBD: What challenges do advisors face in recruiting employees?

Furey: The market for new professionals is very tight. Advisors who want to bring in talent, like junior planners, have to pay more now. Before, they'd rely on industry benchmarks and salary surveys to set pay. But now they have to bid up for talent, to go beyond the (salary) bands they used in the past.

IBD: How much more are they paying today?

Financial Advisors' Compensation Is Going Up

Furey: Before, they might pay a recent college grad a starting salary of \$60,000. Today, it's \$75,000 or more. So you can see the compensation pressure building with the constraints in the market of job candidates.

IBD: Rather than hire from outside, can advisors groom their own people from within?

Furey: Larger firms are setting up their own training. But smaller RIA firms, those with less than 10 people, can't afford to wait two years for someone to develop. They can't make a two-year apprenticeship program work.

IBD: What can advisors who run smaller firms do if they want to accelerate their professional development?

Furey: If you lack internal capability, try to leverage your custodian's training and development resources. And look at coaching programs and consultants that you can bring in.

IBD: With fewer job candidates out there, how can advisors find the best ones?

Furey: It's tougher with Covid because there have been fewer ways to come together and network in person. But advisors need to find opportunities to always be networking for talent and evangelizing your firm. You want to be networking all the time for talent, even when you don't have a job opening.

Maximize Networking As A Business Strategy

IBD: Any business strategy tips to maximize networking?

Furey: Have your elevator pitch ready. When you meet people, they'll ask, "What's going on in your business?" So be ready with your answer. Say, "We're always looking for talent. This is what we're looking for." I do that a lot for my business. I'll say, "We're always looking for senior consultants who are great modelers, good at communicating advice to our clients, good at business development."

IBD: When advisors prepare an elevator pitch, they tend to think it should sell themselves and their services. Isn't that its main purpose?

Furey: When they're networking, most advisors are so focused on getting business that they just keep trying to get more clients (by promoting themselves). But you can't serve clients unless you have a great team. So your elevator pitch should focus on helping you look for talent.

IBD: During difficult stretches, like March 2020, how can advisors boost employee morale?

Furey: It's smart to be transparent with your team when times are tough. Early in the pandemic, some advisors were able to tell their employees, "Look, no one is going anywhere. We'll all be fine." Level with your people about things like job security and let them know how the firm is doing.