

CFP BOARD  
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FOR  
FINANCIAL  
PLANNING

# RACIAL DIVERSITY AMONG FINANCIAL PLANNERS

WHERE IT STANDS, HOW TO MOVE IT FORWARD

October 2018



**Peter Fondulas**

President  
Fondulas Strategic Research



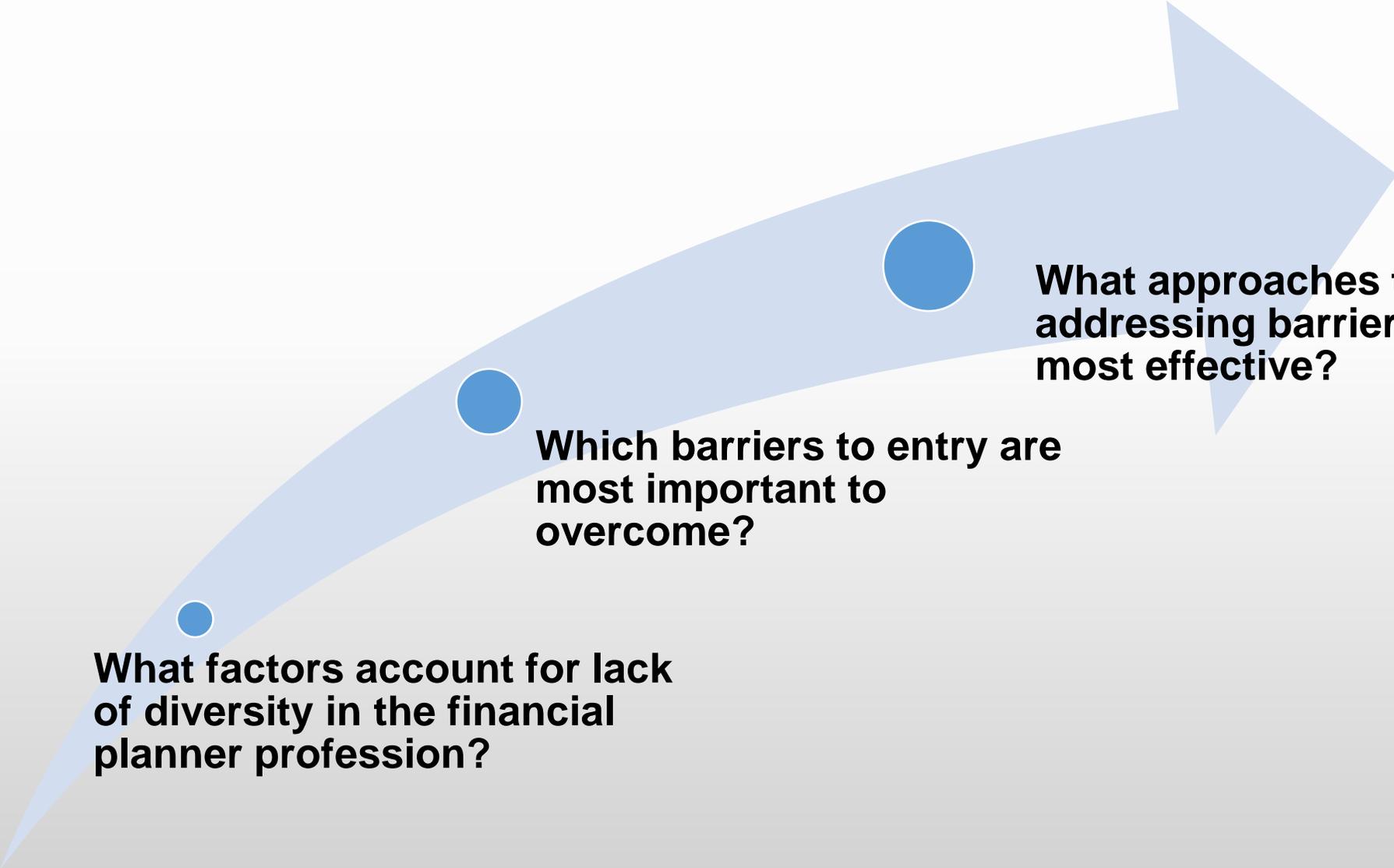
**Whitney Tome**

Principal  
The Raben Group <sup>1</sup>

# Presentation Overview

- 1 Three Questions Addressed by This Research
- 2 Research Approach
- 3 Root Causes
- 4 Specific Barriers
- 5 General Strategies for Addressing Barriers
- 6 Strategies for Firms
- 7 Strategies for Prospects
- 8 Recommendations

# Three Questions Addressed in the Research



**What factors account for lack of diversity in the financial planner profession?**

**Which barriers to entry are most important to overcome?**

**What approaches to addressing barriers will be most effective?**

# OUR APPROACH

# Two Research Phases

## Phase 1: Exploratory/Qualitative (June to August 2017)

1. **Focus groups** in New York City, Atlanta, and Los Angeles, with...
  - **Professionals** at financial firms responsible for recruiting/hiring planners (1 group)
  - **Black and Latino CFP® certificants** (3 groups)
  - **High net-worth consumers** who work with a financial planner, with \$150K + in income and \$100K + in investable assets (2 groups)
  - **“Prospects”**: Black and Latino business pros/students (2 groups)

## Facilitators



Peter Fondulas



Lisa McDonald



Marisol Lugo Juan

# Two Research Phases

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- **“Prospects”**: Black and Latino business pros/students (2 groups)

### 2. In-depth phone interviews:

- **Educators** who manage certificate and degree programs registered with CFP Board (5 participants)
- **Blacks/Latinos....**
  - **Currently enrolled** in certificate and degree programs registered with CFP Board (9 participants)
  - **Considered pursuing a financial planning career** but decided not to (3 participants)
  - **Former financial planners** (2 participants)

## Facilitators



Peter Fondulas



Lisa McDonald



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# Two Research Phases

## Phase 2: Confirmatory/Quantitative (September 2017 to March 2018)

### 1. Comprehensive online survey, with...

- **Pros at financial firms** responsible for recruiting and hiring financial planners
- **CFP® certificants:** Black, Latino, non-black/Latino
- **High net-worth consumers** who work with a financial planner
- **Financial planning “prospects”:** Black and Latino business professionals who are open to becoming a financial planner

# Two Research Phases

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- High net-worth consumers who work with a financial planner
- Financial planning “prospects”: Black and Latino business professionals who are open to becoming a financial planner

### 2. Completed surveys: 2,182

Hiring pros

Interviews

100

Non-black/non-Latino certificants

688

**Black certificants**

**213**

Latino certificants

181

**Consumers who work with financial planner**

**400**

Black prospects

300

**Latino prospects**

**300**

# ROOT CAUSES

# Three broad factors account for the lack of diversity status quo

## Economic Inequality and Cultural Norms, Resulting in:

Lack of confidence

Fear of not fitting in

Pay structure panic

Profession not on radar

## Firms' Hiring and Onboarding Policies

Focus on immediate return

Subjective hiring criteria

Commission structure

## Clients' Inherent Biases

Preferences for someone with similar background

# **SPECIFIC BARRIERS**

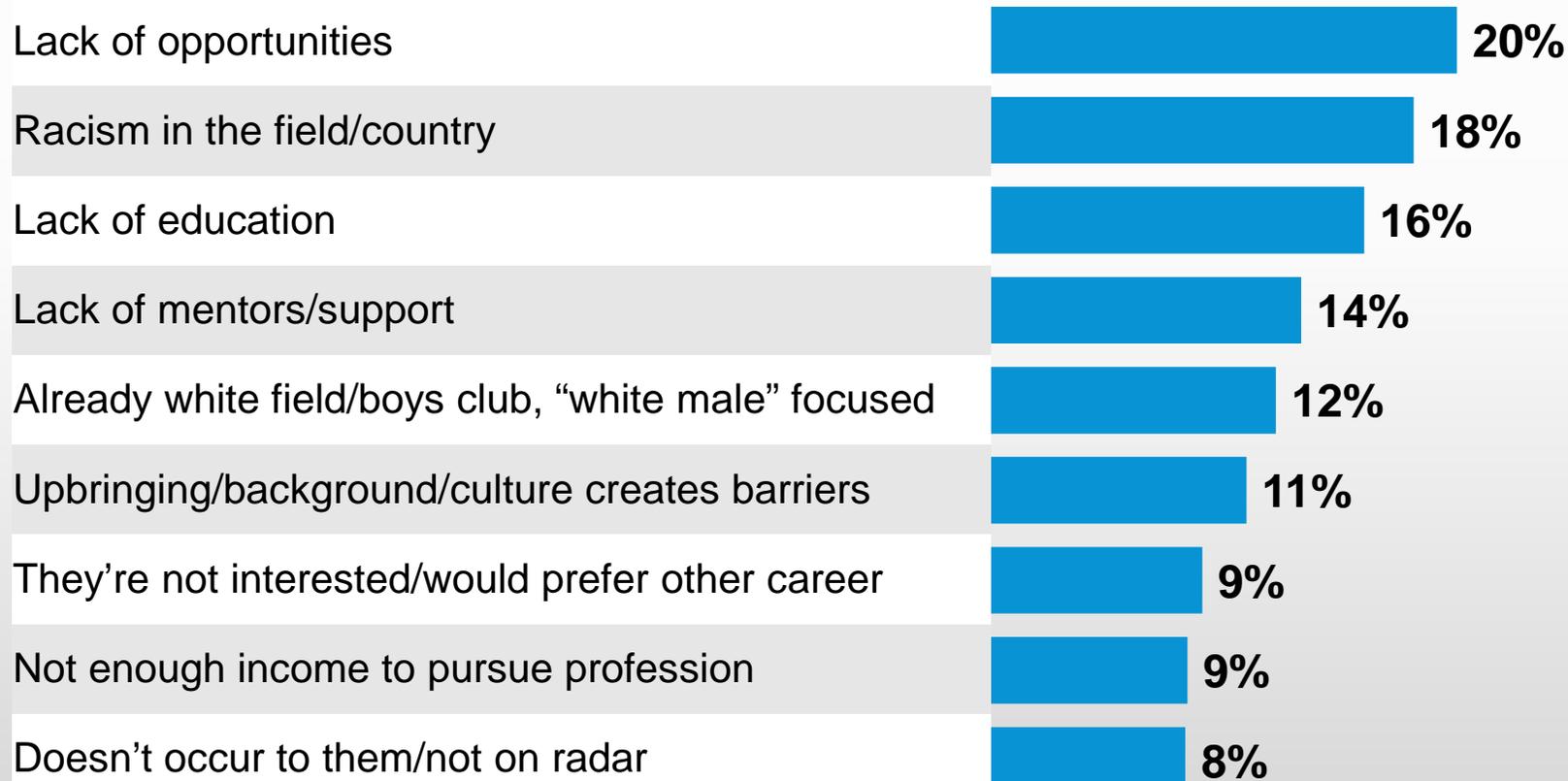
# Economic inequality/cultural norms: raised consistently in qualitative discussions

- **Economic Inequality:** Prospective financial planners of color are often raised in communities and families with little **discretionary income or wealth**
  - Their focus was on getting by vs. becoming **financially literate**
- **Cultural Norms:** Financial matters are considered highly personal in black and Latino families
  - They're less open to sharing and discussing financial details, sometimes even with other family members

It was only barely over 50 years ago that we were able to sit wherever we wanted on the bus. Wealth has passed down through generations and it hasn't passed down to our families. **Atlanta CFP® Professional**

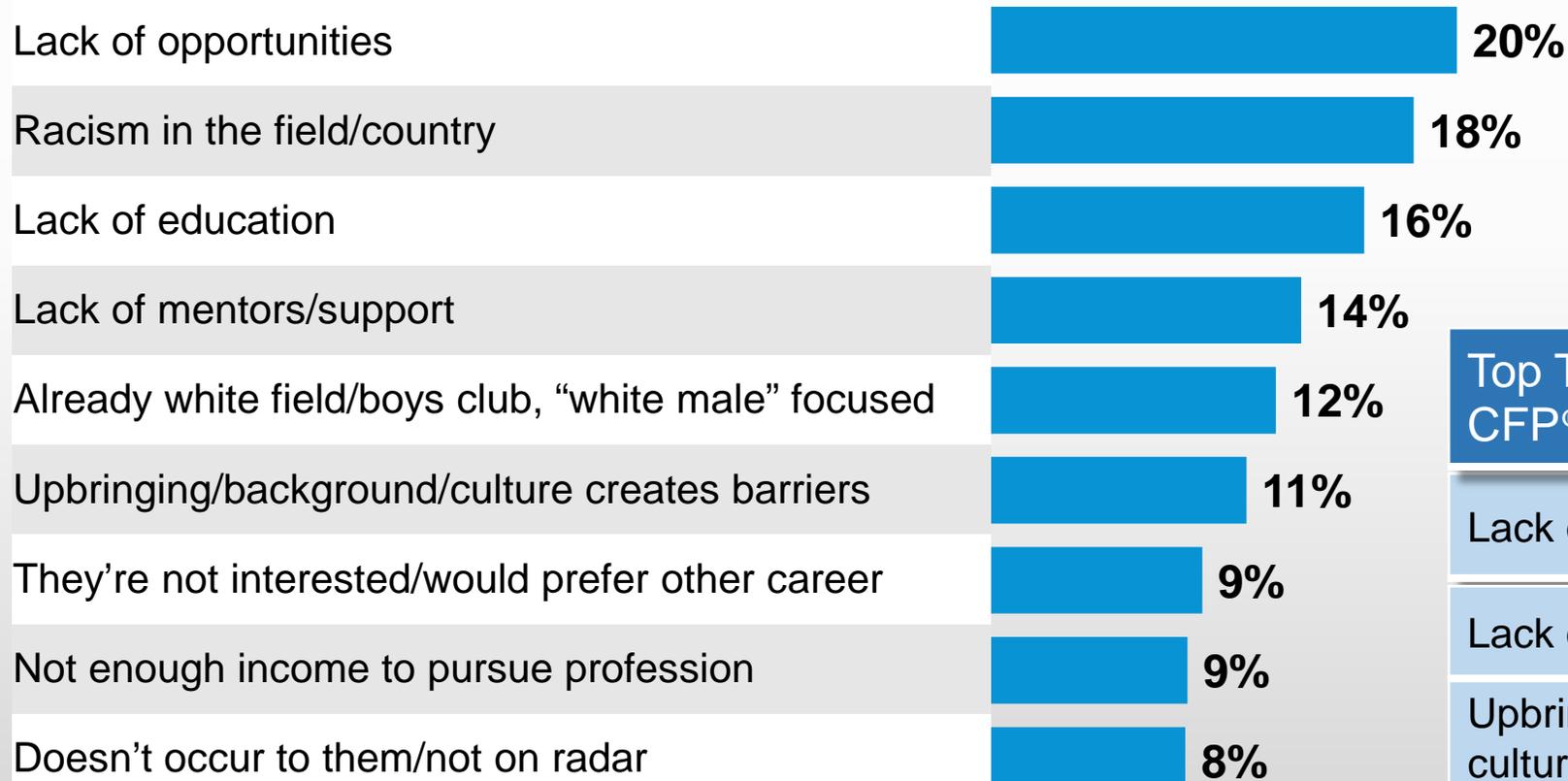
# Background and culture is cited as factor having some impact

## Reasons for Underrepresentation of People of Color: Top Open-Ended Responses



# But it's considered a top-three reason among financial planners of color

## Reasons for Underrepresentation of People of Color: Top Open-Ended Responses



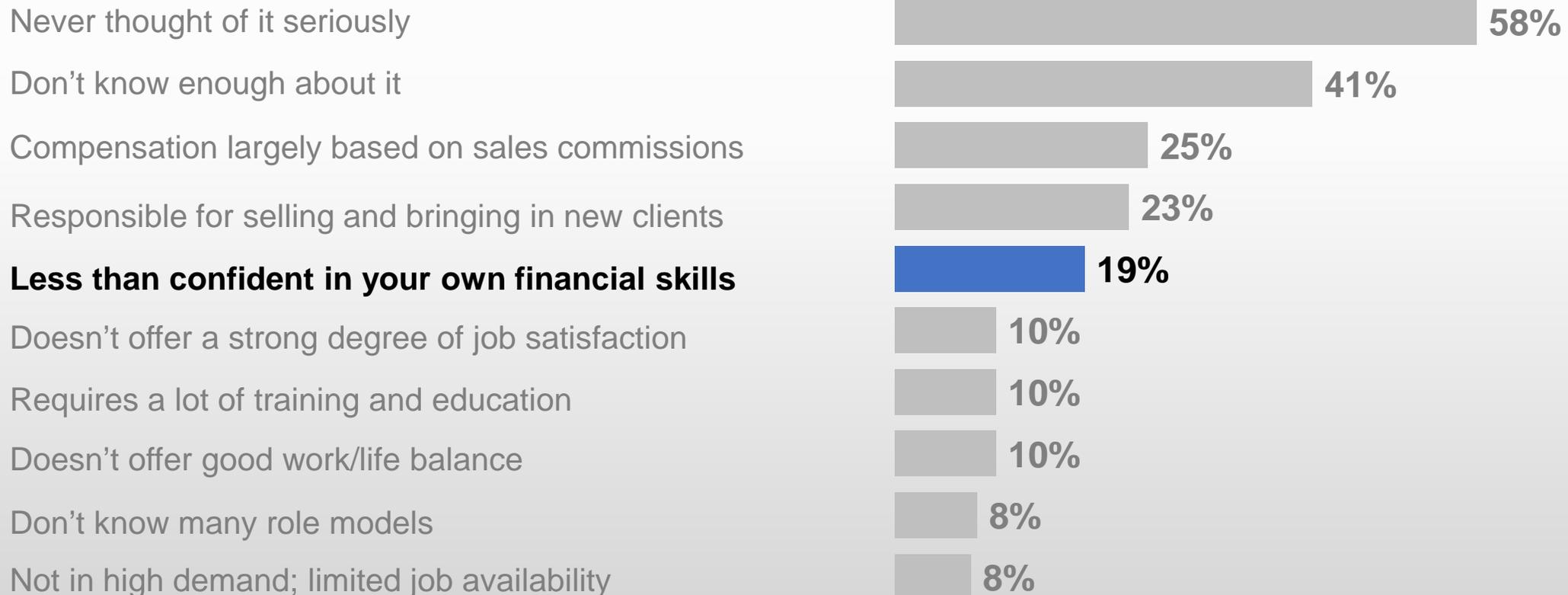
### Top Three Among black and Latino CFP® Professionals

Lack of opportunities	28%
Lack of mentors/support	24%
Upbringing/background/culture creates barriers	15%

# Lack of financial experience growing up leads to lack of confidence

## Reasons for Lack of Interest in Becoming a Financial Planner (Top)

Among black and Latino Business Prospects Not Interested in Profession



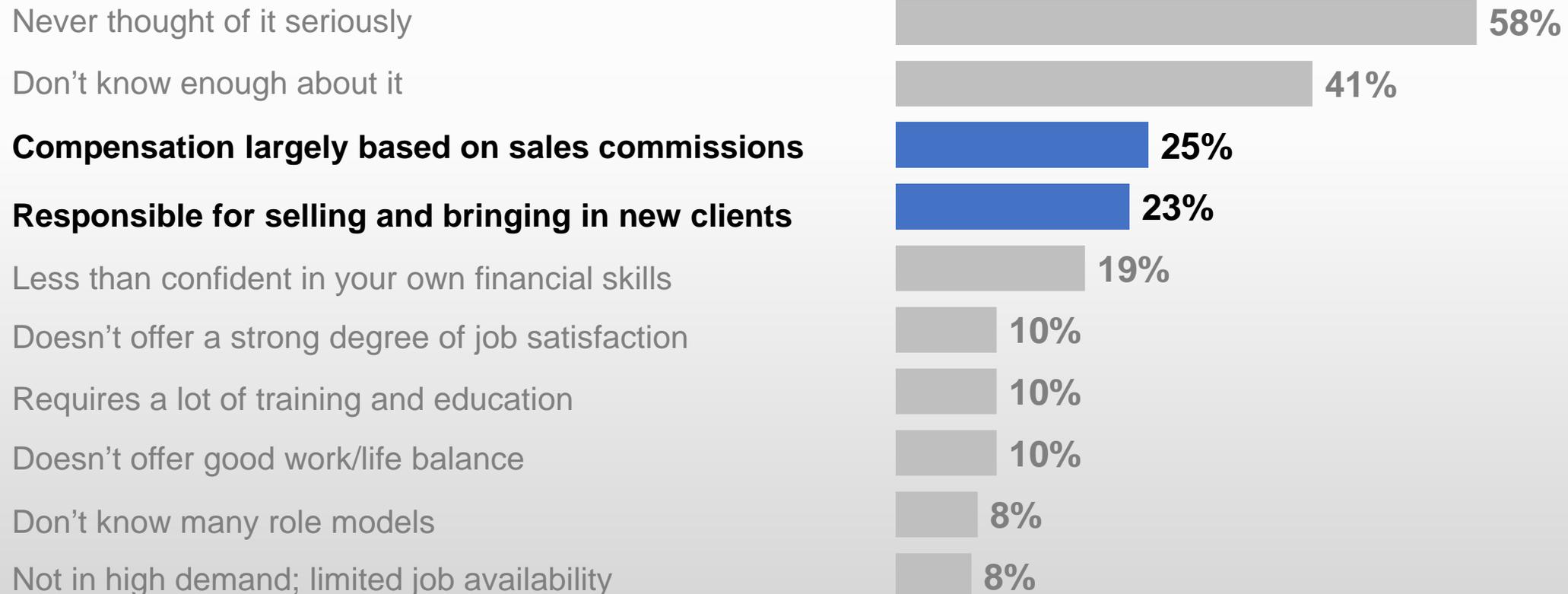
- In a profession where the prevailing image is of a white male...
  - People of color wonder how accepted and welcomed they'll be by people who are established financial planners

Some of our newer advisors that are black or Latino, when they speak on the phone, they have this fear about that person seeing them in person. **NYC Executive**



## Reasons for Lack of Interest in Becoming a Financial Planner (Top)

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### Don't Know Enough About It

Among black prospects **47%**

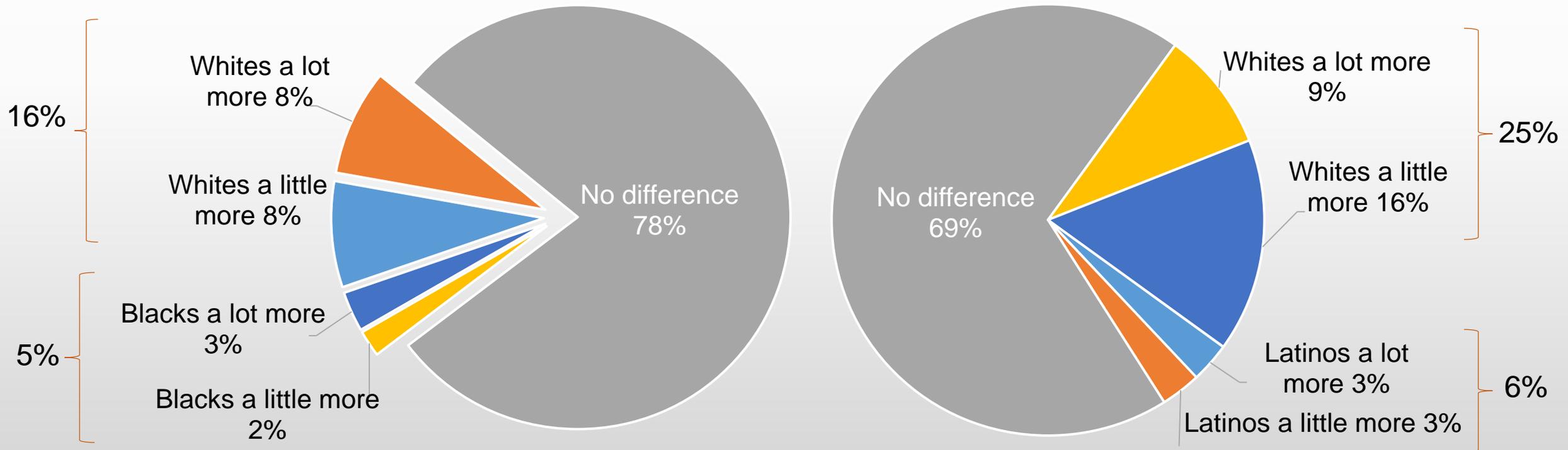
Among Latino prospects **35%**

# Who has the “stuff” to be a financial planner?

## Who’s More Likely to Have Skills to Be a Successful Financial Planner?

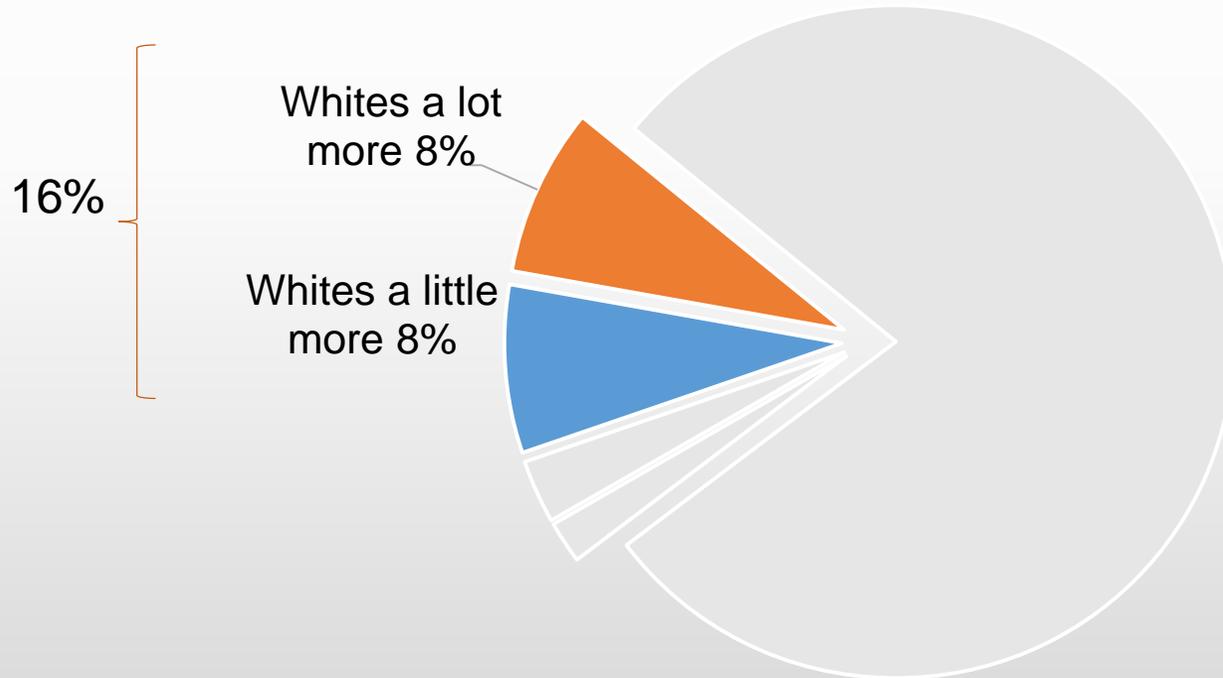
Whites or blacks?

Whites or Latinos?



## Who’s More Likely to Have Skills to Be a Successful Financial Planner?

### Whites or Blacks?



**Among Hiring Pros**

Believe whites more likely to have skills than blacks **25%**

## Reasons for Underrepresentation: Factors with Greatest Impact



# The “like to like” approach among firms is seen as a substantial barrier

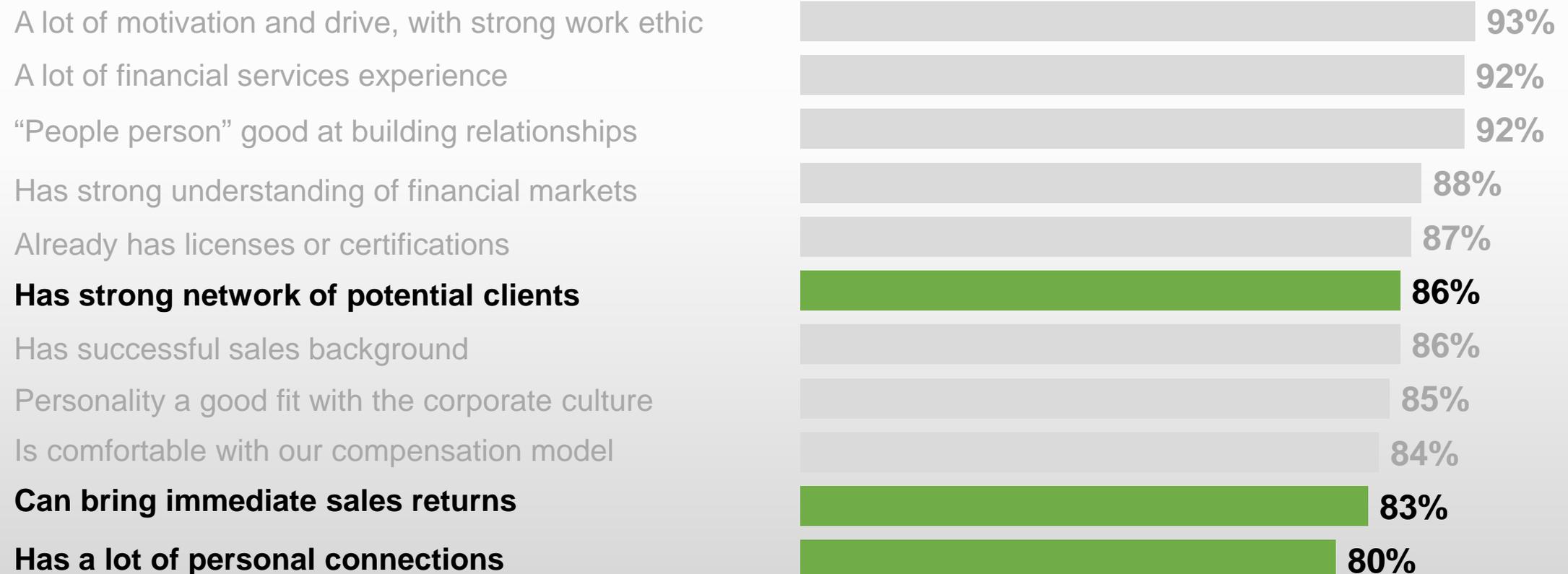
## Reasons for Underrepresentation: Factors with Greatest Impact

You've got a client and the client has a certain demo. Usually they are going to have the financial planner that can work with that style.. The institution perceives that that's what the client wants. It is effectively racism. **NYC CFP® Professionals**

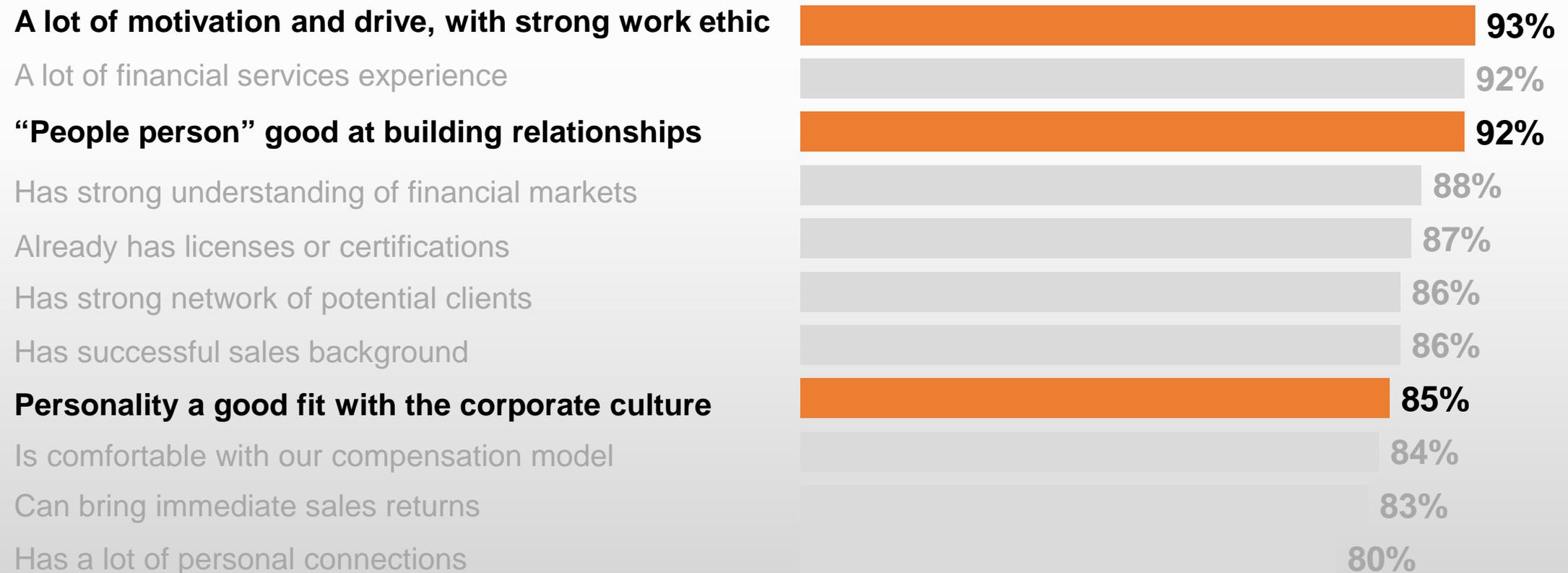
These firms, especially the big firms, they want to target where the money is and demographically, objectively right now, white families have more on average than black families and Latino families. They are basically driven by greed.

**NYC Executives**

## Likelihood to Hire Based on Characteristics (Top “Extremely/Very Likely”) Among Hiring Pros

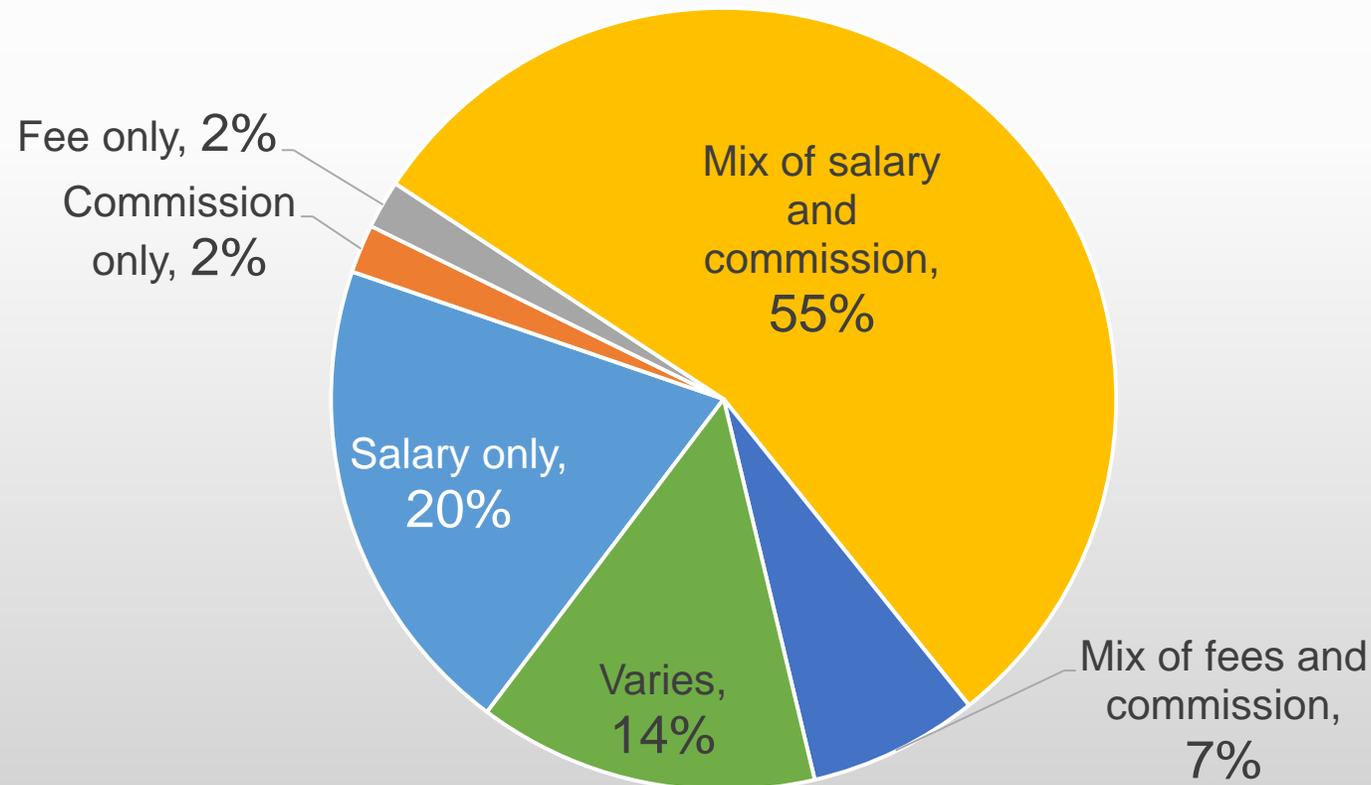


## Likelihood to Hire Based on Characteristics (Top “Extremely/Very Likely”) Among Hiring Pros



# Commission structure is not just a prospect concern; it's a reality

## Financial Planner Salary Structure in Firms Among Hiring Pros



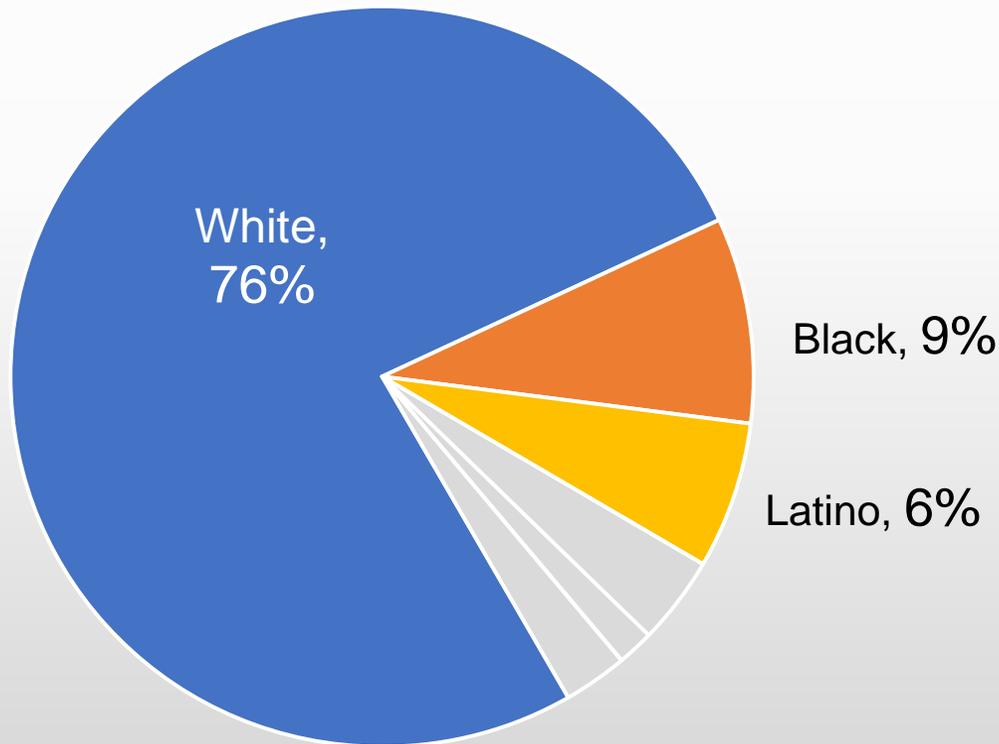
# Commission structure is not just a prospect concern; it's a reality

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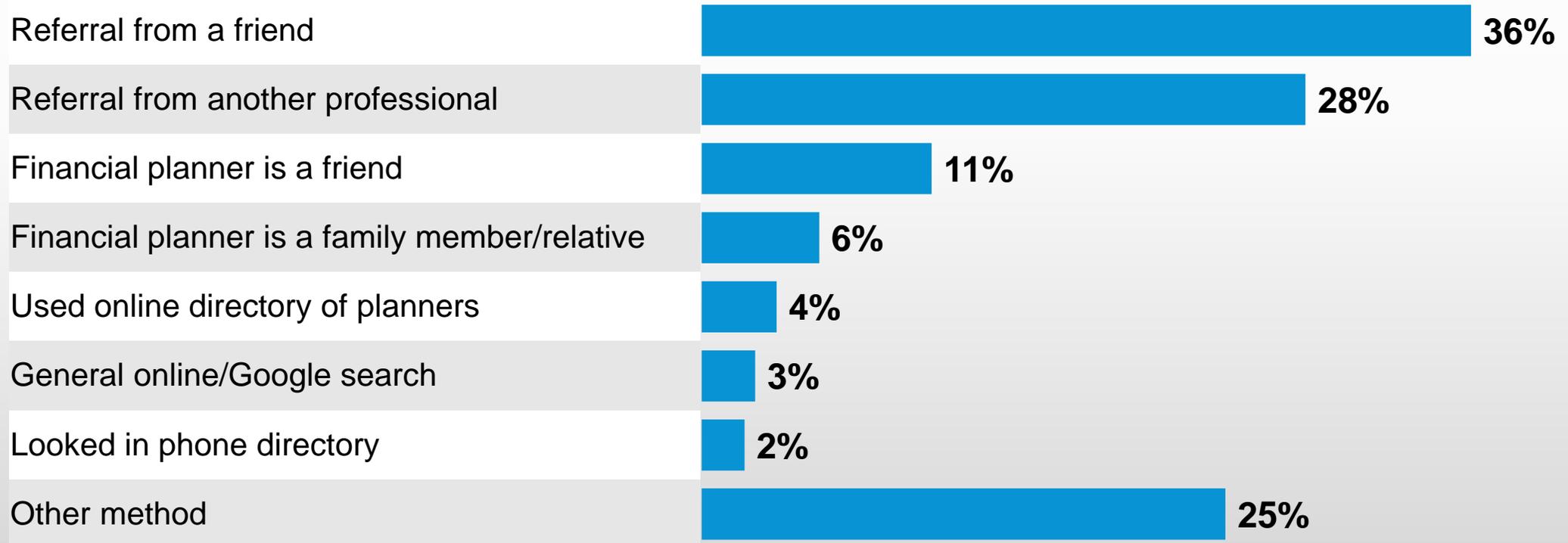
You don't make any money. It's very challenging to do that in NY. You can only tap into a small percentage of people who can actually become a financial planner and not have a lot of bills to pay off. I think that's why people prefer to go into investment banking and make money right out of the gate. **NYC Hiring Professional**

# The vast majority of white clients end up working with planners of the same race

## Racial Distribution of Clients Among FPs Who Work Directly With Clients



## How Consumers Found Financial Planner Among Consumers Who Work with a Financial Planner



## Clients acknowledge that they prefer working with people like themselves

I have to be honest with myself. I don't have prejudices in this area, but in some way in terms of having confidence in a particular person, it probably does influence me.

**L.A. Consumer**

For me, in every other aspect, I probably look for someone who is gay. 100%. My real estate agent is, my attorney is, my hairdresser is.

**L.A. Consumer**

# For black prospects, all of these barriers are top of mind

## Top Reasons by Group

Differences from total-sample rank order are highlighted

### Black Business Prospects

**Prejudice from firms (7.8)**

**Firms' beliefs about clients and ethnicity (7.3)**

**Firms' assumptions about lack of cultural fit (6.9)**

**Fewer opportunities (6.8)**

Lack of role models (6.5)

### Latino Business Prospects

Lack of role models (7.8)

Not top of mind (7.1)

**Firms' beliefs about clients and ethnicity (6.4)**

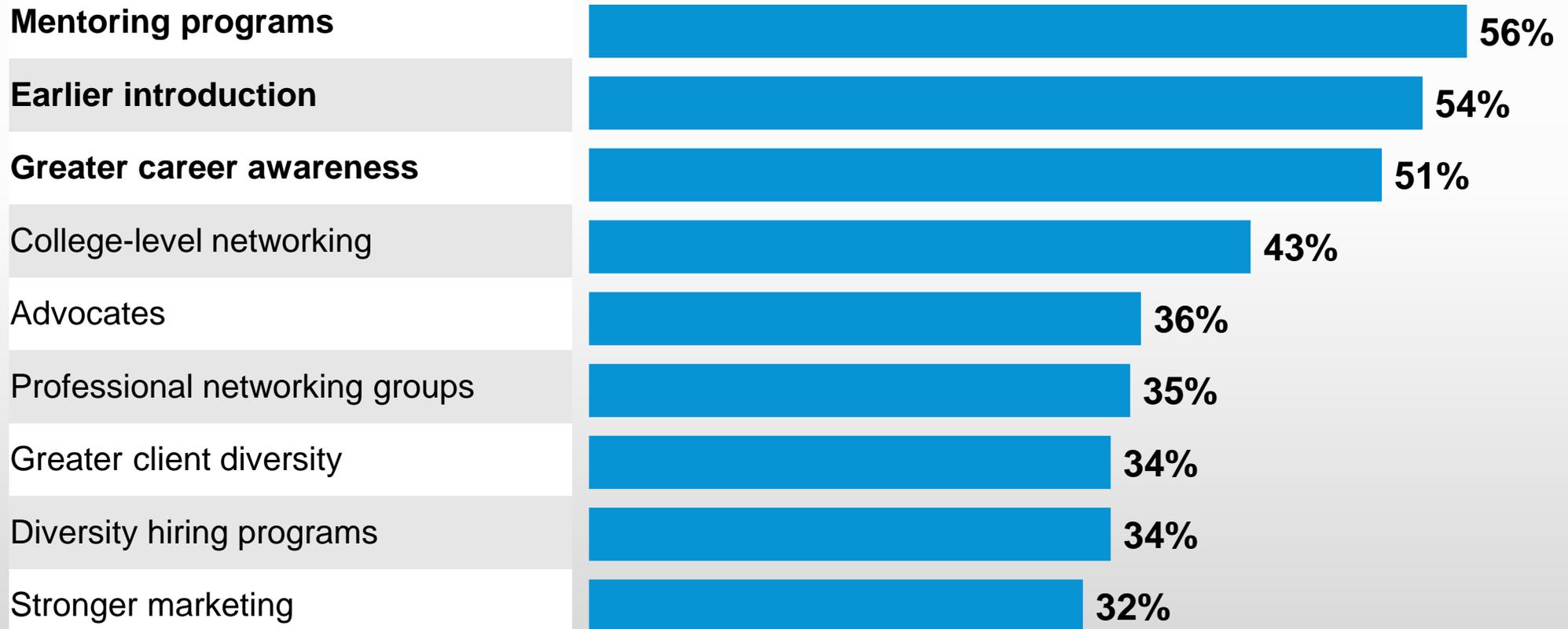
Concern about lack of fit (6.3)

Firms' beliefs about clients and background (6.2)

# **GENERAL STRATEGIES FOR ADDRESSING BARRIERS**

# Three general solutions were strongly endorsed

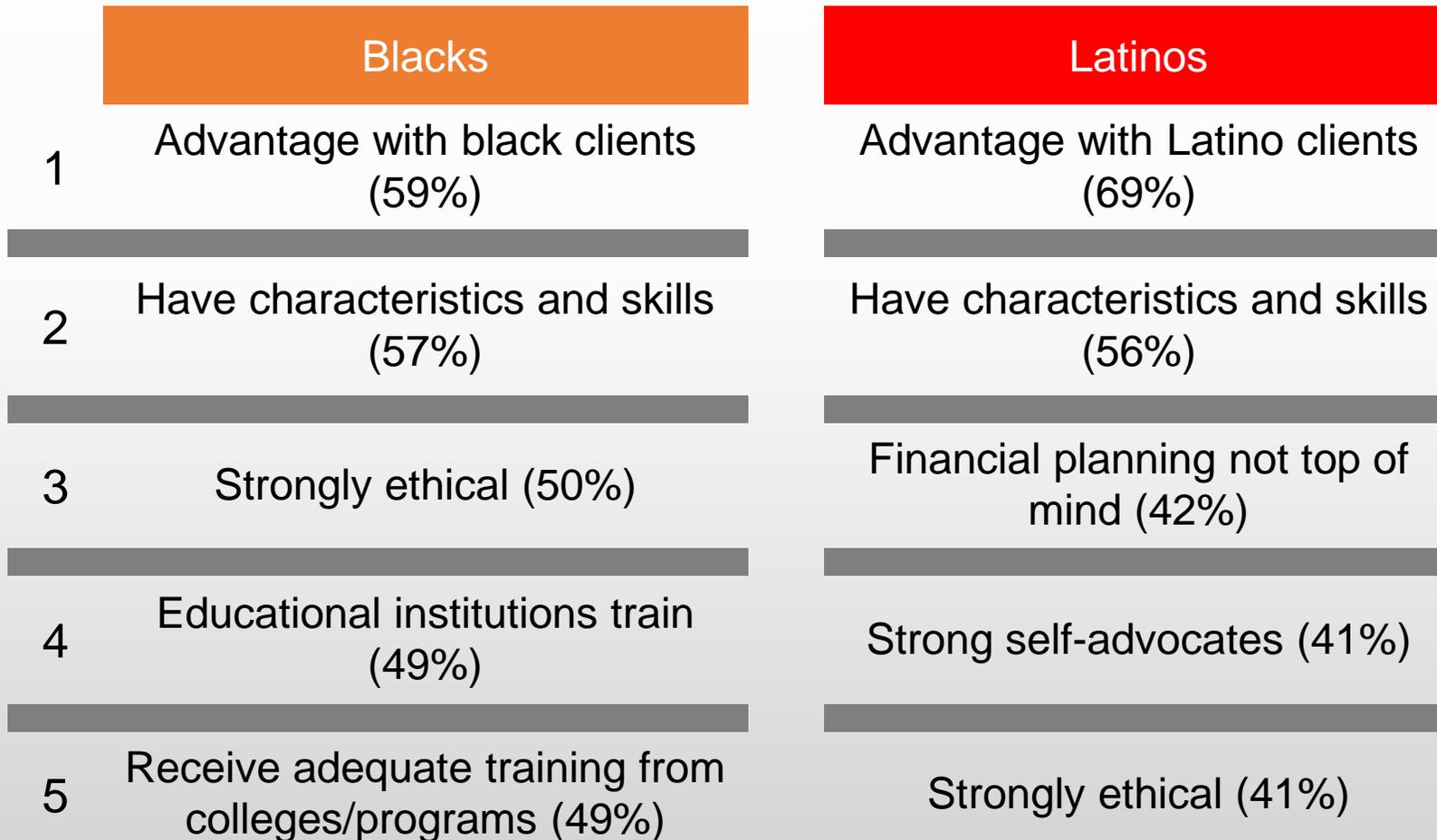
## Most Likely Solutions for Increasing Representation (Top)



# **STRATEGIES FOR FIRMS**

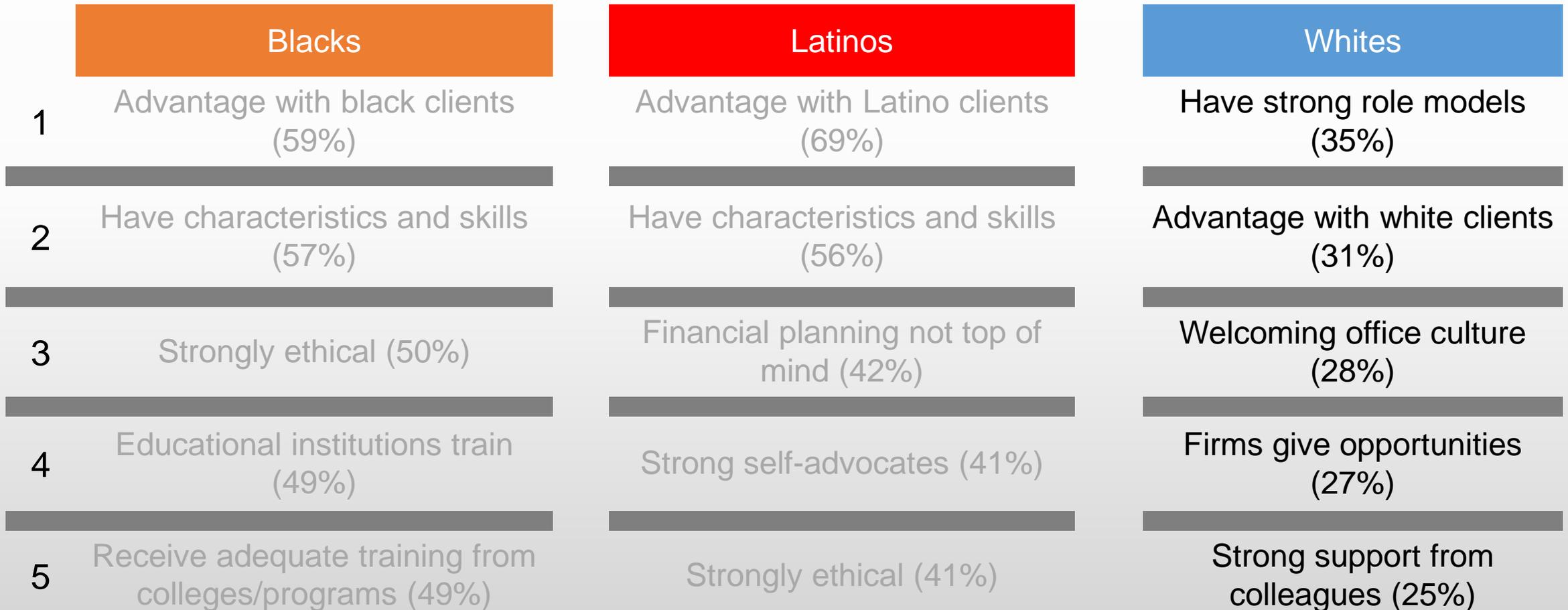
# Respondents say planners of color have advantages with clients of color—even if firms haven't acted on it

## Most Likely to Agree That Each Racial Group Has Following Advantages...



# Substantially fewer could agree on particular advantages for white FPs

## Most Likely to Agree That Each Racial Group Has Following Advantages...

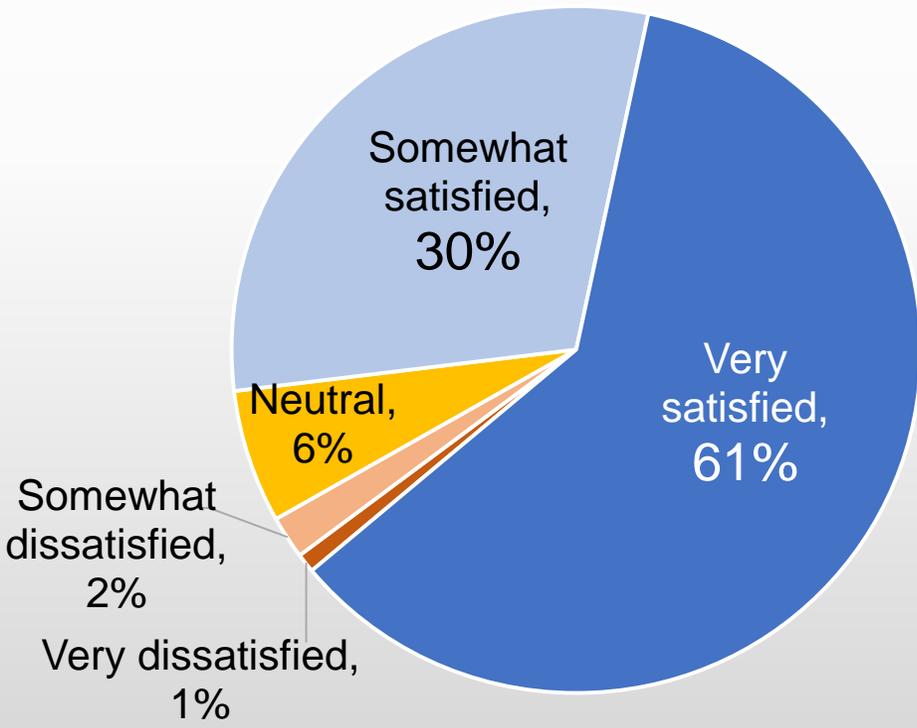


# **STRATEGIES FOR PROSPECTS**

# Strong majorities of CFP® professionals are satisfied with their current career



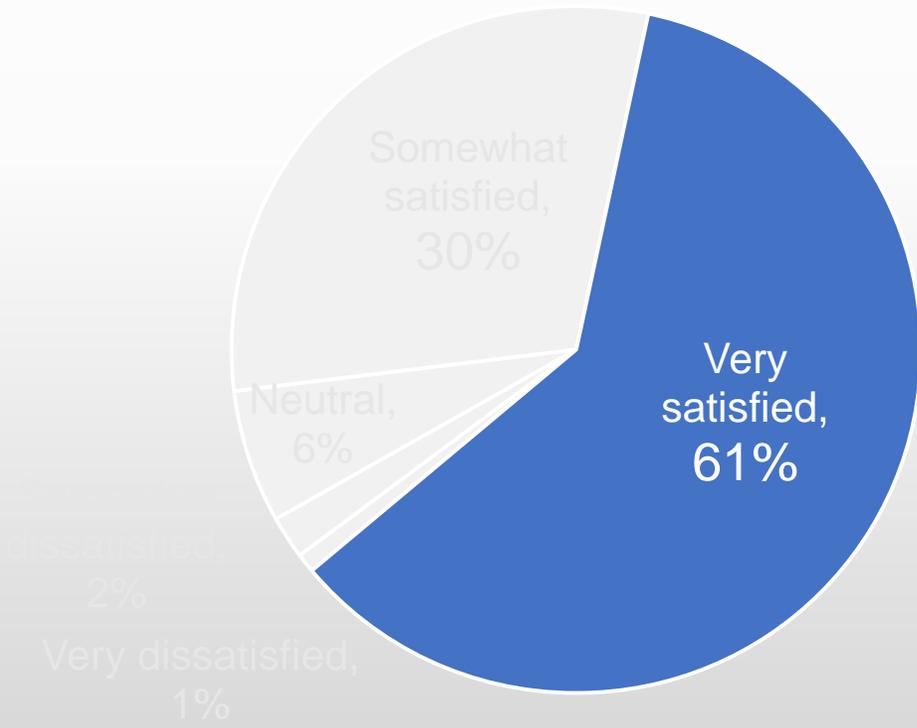
## Overall Satisfaction with Financial Planning Career Among Current Financial Planners



7F. All in all, how satisfied are you currently with your career in financial planning and advising?

# Financial planners of color are just as satisfied

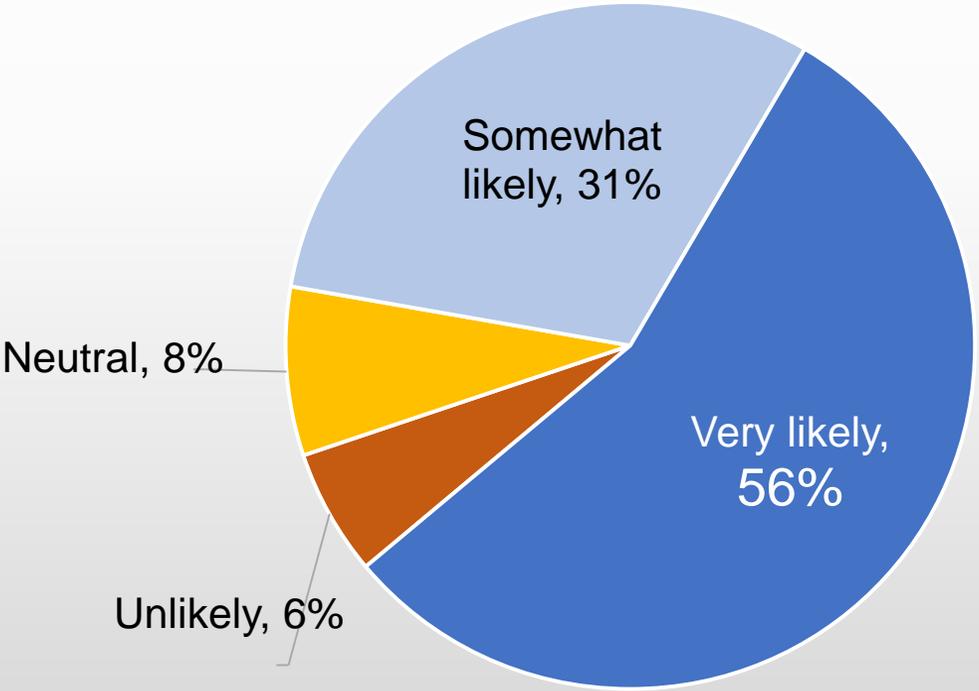
## Overall Satisfaction with Financial Planning Career Among Current Financial Planners



Very Satisfied Among:	
Non-black or Latino CFP® professionals	61%
Black CFP® professionals	60%
Latino CFP® professionals	62%

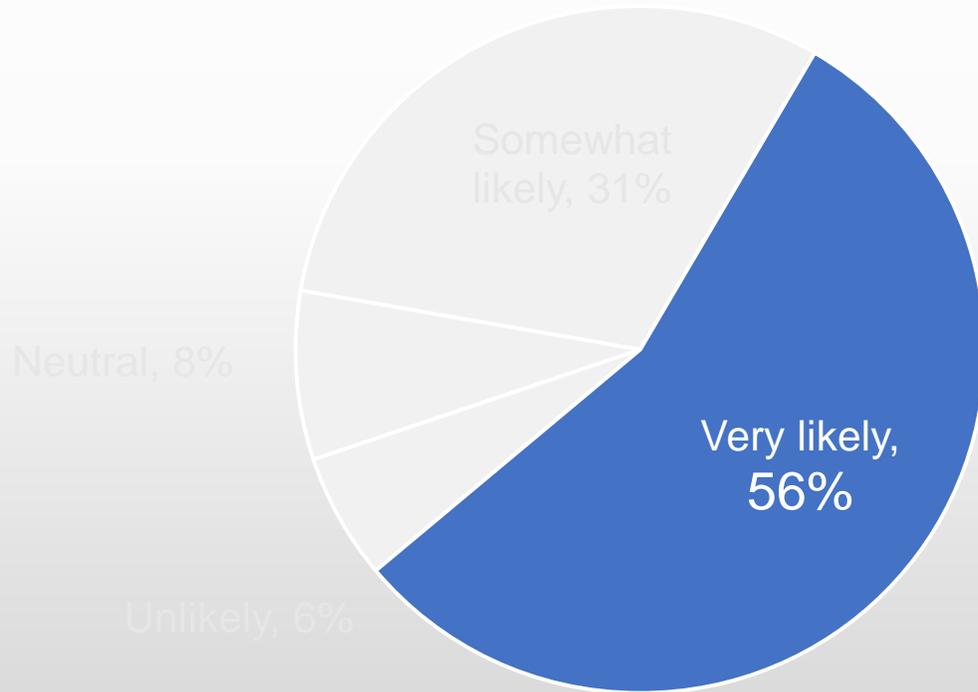
# A majority of financial planners would be very likely to recommend the profession

## Likelihood to Recommend FP Profession to Others Among Current Financial Planners



# Planners of color are even more likely to recommend it

## Likelihood to Recommend FP Profession to Others Among Current Financial Planners



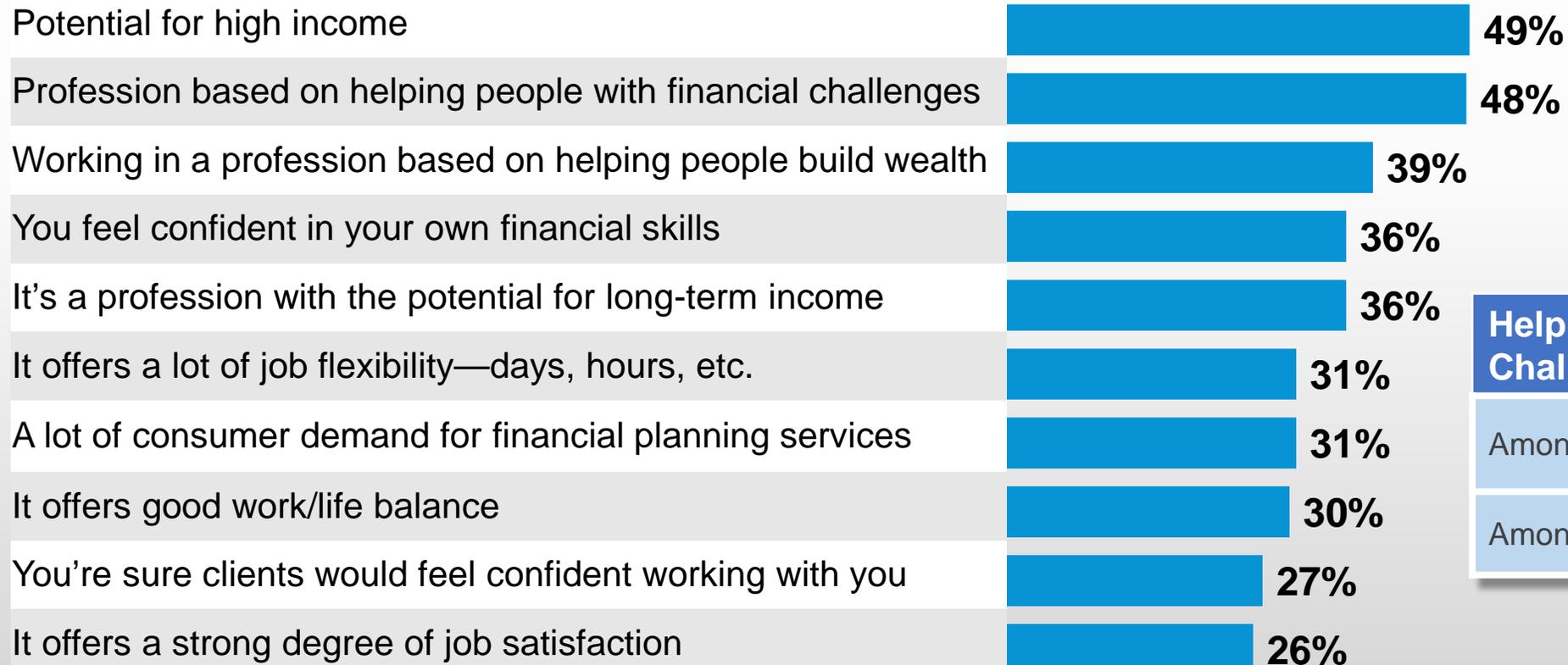
### Very Likely Among:

Non-black or Latino CFP® professionals	52%
Black CFP® professionals	68%
Latino CFP® professionals	59%

# A big draw for prospects: helping people meet challenges

## Reasons for Interest in Becoming a Financial Planner (Top)

Among Black and Latino Business Prospects Interested in Profession



### Help People with Financial Challenges

Among Black prospects 56%

Among Latino prospects 41%

# **RECOMMENDATIONS**

# What CFP Board & the Center Will Do



- Maintain a Diversity Advisory Group.

- Continue to convene Diversity Summits that bring industry stakeholders to advance diversity in the profession for the benefit of the American public.



- Expand the “I am a CFP® Pro” education campaign.



- Connect candidates with a network of experienced CFP® professionals through the CFP Board Mentorship Program.

- Provide black and Latino leaders opportunities to be more visible.



- Educate guidance counselors in high schools and colleges on financial planning and CFP® certification.



- Establish and administer scholarship programs to support CFP® certification.

# What CFP Board & the Center Will Do



- Develop a toolkit of initiatives to support black and Latino candidates in the pipeline, engaging HSIs and HBCUs; black and Latino prospects; and candidates who fail the exam.



- Conduct an internal CFP Board review of all department functions.

- Showcase firm initiatives, including diversity hiring programs.



- Support entrepreneurship and existing firms founded by people of color.



- Collaborate on diversity efforts led by National Association of Personal Financial Advisors (NAPFA), Financial Planning Association (FPA), and other financial planning groups.

# What Firms Can Do



- Embed diversity, equity and inclusion into all aspects of the firm's growth strategy.



- Educate firm owners, senior leaders, and managers about the value of a diverse workforce beyond working with clients of color.



- Support employees by covering or subsidizing costs of the CFP® exam, allowing for study time and making employees aware of these benefits.



- Develop and utilize hiring criteria based on skills. Eliminate bias with consistent questions and rubrics.



- Evaluate the impact of the firm's compensation structure on hiring and onboarding people of color. Develop models to allow employees to learn the ropes without the pressure to produce immediately. Ensure that any compensation structure is fair and equitable.

# What Firms Can Do

- Encourage top management and owners of firms to make transparent commitments to racial diversity by specifying measurable diversity, equity and inclusion goals and monitoring progress toward those goals.
- Identify and cultivate long-term relationships with influencer organizations, professional societies, colleges and university.
- Recruit diverse candidates – and highlight aspects that are most satisfying to current financial planners including helping others and building wealth in communities of color.
- Partner with minority business associations on internship programs.
- Build and sponsor networks of black and Latino financial planning professionals.
- Develop and support mentoring programs – internally and externally.

# What Firms Can Do



- Facilitate conversations to develop a shared understanding of race, diversity, equity and inclusion.



- Increase involvement of black and Latino planners in recruiting talent, but careful not to tokenize.



- Value and support pro bono efforts to support communities of color.
- Develop leaders of color by providing funding for leadership training.



- Support professional affinity groups that allow professionals of color to build support systems within their workplace (i.e., Association of African American Financial Advisors and Associate of Latino Professionals for America).



- Test and evaluate pilot programs to determine which diversity initiatives work best for professionals of color and allies.

# What CFP Board Registered Programs Can Do

- Partner with the CFP Board and the Center on joint initiatives designed to encourage students at your college or university to consider a career in financial planning.
- Promote CFP Board and the Center's existing programs within your network to raise awareness of financial planning careers and to offer support to those on their way into the profession.
- Identify speaking and exhibiting opportunities for the Center at your events and conferences to raise awareness of the financial planning career, leveraging the Center's network of experienced CFP<sup>®</sup> pro speakers around the country.

# What Influencer Organizations Can Do



- Partner with CFP Board and the Center on joint initiatives to encourage your constituents to consider a financial planning career.



- Promote CFP Board and the Center's programs to raise awareness of financial planning careers.



- Identify speaking and exhibiting opportunities for the Center at your events.



- Communicate the importance of and encourage financial institutions to be transparent about metrics for diversity, equity and inclusion.



- Work with financial planners and financial institutions to build financial literacy programs in communities of color.



- Support entrepreneurship and existing firms founded by people of color.



- Work with firms to help them uncover and teach entry points of working with diverse communities.

# What You Can Do

- Become a mentor and/or a reverse mentor.
- Learn actively and continuously about allyship and practice it in meetings, throughout hiring and/or promotion processes, and in daily interactions.
- Evaluate your behavior and biases and be willing to be uncomfortable.
- Be professionally courageous by sharing your story, and invite the stories of others.
- Do pro bono work for communities of color thereby making the profession and the opportunities more visible.
- Advocate for and recommend people of color within your firm or with others for advancement and opportunities.
- Give the gift of education by contributing to the Center scholarship programs for underrepresented populations who are seeking to complete requirements for CFP® certification.

**QUESTIONS?**

**THANK YOU!**

# DIVERSITY SUMMIT

October 23, 2018

The Times Center

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