WEALTH MANAGEMENT DEVELOPMENT

Adopting a growth mindset to build resilience and maintain business continuity

David Karr, Chairman of Equitable Advisors

While financial advisors' practices may differ, there are two constants experienced by all: the need to grow and the lack of time to do so. Further, when it comes to growth, it's important to consider if their practice is properly positioned to experience continuous growth. To better understand this kind of growth mindset and help advisors looking to achieve it, Financial Planning sat down with David Karr, Chairman of Equitable Advisors. In this insightful Q&A, we discuss all things related to organic growth, including business continuity, how to stay relevant with evolving client needs, the importance of a long-term succession plan and the training and skillsets that should be top of mind for advisors.

Question 1: Having led Equitable Advisors for more than a decade you have a unique perspective on the wealth management industry. What's one of the key trends you're seeing this year?

David Karr: It's interesting because, like you mentioned, I've been in my current role for more than 10 years and in the industry for more than thirty years. My father was also an advisor, so I grew up in a wealth management household. I can tell you the demand for great advisors has never been higher. After testing the waters with robo-advisors, clients have realized they want to work with a human that gives them additional support, confidence and a solid understanding of what their future holds. Combine this with the fact that the number of people accumulating wealth and assets is steadily increasing, there is just a huge demand for quality advisors.

Question 2: How should advisors capitalize on this increasing demand?

DK: There is massive opportunity for both veteran advisors and those new to the market to either grow or establish practices. Regardless of the age or size of the firm, all advisors should be going through self-reflection to make sure they are structured to best serve their clients on a continuous basis. This topic of business continuity is essential. Clients want to know their assets will be serviced and maintained even if there is a disruption, and they also want to make sure they always have a close connection with the firm. Now is a great time for advisors to consider what changes or adjustments they should make to their operations to provide this level of service on an ongoing basis. This may include staffing more appropriately so they can spend less time behind the scenes on administrative tasks and more time face to face with new and existing clients to expand into new areas or deepen relationships. Whether advisors are new to the industry and thinking about where they fit, midcareer and thinking about the growth of their practice in regard to their career path and their clients' wellbeing, or at the end of their career and executing a succession plan, business continuity is critical to firm success.

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Question 3: What's needed to build a successful growth strategy and what challenges are inhibiting advisors from creating one?

DK: To successfully form a growth strategy, firms need the right talent, support and the ability to scale. But, as an industry, wealth management has not done a great job growing the number of qualified and available advisors. If you look at the last couple of decades, the number of advisors in the industry has been relatively flat, which does not help ease the demand situation. Firms are struggling to hire, train and retain established and junior advisors because of the lack of talent but also because they don't know how or have the time to support and integrate new talent. We have financial advisors who are doing a great job building relationships, they have deep client connections, but they are challenged with transforming their individual practice of one or two advisors into a scalable firm with six or 10 advisors. They really need to think about how to find the right talent and then make sure these new individuals are taking on the responsibilities that make the most sense for their strengths and skillset.

Question 4: Equitable Advisors is known for doing the heavy lifting when it comes to recruiting and developing talent. Can you outline Equitable Advisors' talent development approach?

DK: I think in the wealth management space one of the things that really makes Equitable Advisors truly unique is we hire and develop 600 to 700 new advisors each and every year, so ultimately at any given point we have 900 to 1,200 advisors who are in their first four years in the business. This provides firms with a steady pipeline of advisors who we have trained and developed so there is rarely any gap in the next generation of advisors. Through Equitable Advisor's Teaming Program, junior advisors who are vetted for overall synergy and organizational fit can team up with established ones, while experienced advisors can integrate junior advisors into their firm. This gives firms who want to grow their practice the opportunity to integrate talent that has already been trained on their way of doing things. These new junior advisors can then do more of the day-to-day operations, allowing the established advisors to better leverage their experience and focus on prospecting, client relationships and continuity planning. Not only does this process contribute to business continuity, but it also saves firms time and money in trying to train new staff who may not deliver or have a long enough tenure to provide value to the practice.

Question 5: What elements are necessary for advisors to be set up for long-term stability?

DK: There are a few things to think about. First, regardless of where an advisor might be in their career, it's important to think about succession planning. For those on the tail end of their career, it's crucial to identify who your successor is going to be, not only from a firm perspective but also from a client perspective. There needs to be a steady transition – you need to make sure introductions are happening and clients are comfortable working with the next generation of advisors. This is also an opportunity for midcareer advisors to partner with those getting ready to retire by offering support and taking on clients they may be in a better position to serve. Similarly, it's a great chance for newer advisors to become part of a succession plan. This allows them to work directly with clients and better understand the business rather than spending all their time looking for clients and developing brand new connections.

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Second, to truly be set up for long-term stability and build continuity, advisors need to think about client relationships as a firm relationship rather than an individual relationship. This can be a tough mindset shift, especially because advisors put so much value on that one-to-one relationship. But if established advisors have the capacity to recognize a client has a strong relationship with the overall firm and may be better or equally serviced by someone else on the team, that really advances a firm to the next level of success and creates continuity.

Third, firms need to look at the future of the industry, specifically the underrepresentation of women advisors. I previously spoke about the demand for qualified advisors, but the demand for qualified women advisors is even greater as the number of financial assets women control and the number of financial decisions women make continue to grow. We know that advisor preference varies from client to client, but at the very least clients should have the option to work and build a trusting relationship with a female advisor if they wish to. That availability just isn't there today. Keeping up with this shifting client need and representing the communities you are addressing is crucial to business continuity and firms need to consider diversification when building out their teams.

Question 6: How does Equitable Advisors help firms that may be apprehensive and resistant to change?

DK: Anytime an advisor is deciding about whether to stay at their current firm or move to another firm, that's a big decision. It's a big decision for them personally and for their clients, so it's something that should be taken very seriously. When partnering with Equitable Advisors, a transition team is established long before the move ever takes place. We help build out a roadmap for how to communicate the change to clients, we develop relationships on a local level and engage leadership early so when the transition does happen, deep relationships are already established internally. While many seek to take advantage of a powerful brand behind them as they look to scale, Equitable Advisors also allows financial advisors to choose their own path by giving them flexibility and control over how to structure and brand their practice.

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To ensure a culture of growth, partnering with an organization that provides resources for continuous learning and development is critical. For both individual advisors and teams, I'm seeing a shift from needing to learn about the numerical aspect of financial planning to needing to better understand the emotional aspect of financial planning. When advisors understand how different individuals think, how they make decisions and what's most important to them, they are truly meeting them where they are. In this scenario advisors can engage clients in a deeper and more meaningful manner, which drives client satisfaction, trust and engagement. There is tremendous demand for this type of learning and supporting advisors with these resources has a huge impact on where and how firms are ultimately able to grow.

In the end, we want to see advisors build a growth business that allows them to achieve their goals and keep up with their client expectations and promises. That's exactly why we've committed ourselves to creating strong and collaborative partnerships with our advisors, providing them with as many growth opportunities as needed.

Learn more about how Equitable Advisors can support your firm's journey to establishing business continuity here.