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# Wealth Management 2016 and Beyond

## The Changing Face of the Industry



### A more diverse client base is pushing the industry to adapt to new ways of doing business.

The advisor industry is made up mostly of men nearing retirement age, according to the Cerulli Associates Advisor Metrics 2013 report. That's changing, according to many advisors, but perhaps not quickly enough. "The world of money and finance has shifted mightily in terms of its demographics," says Robert Veasey of Providence, R.I.-based Veasey Financial Advisors. "I believe the industry itself is a little behind, particularly in terms of successfully recruiting and keeping women advisors."

Other advisors echo Veasey's sentiment. "The industry is attempting to hire a more diverse group of advisors, but it is not really succeeding in accomplishing that—it must do a better job recruiting and supporting those new advisors," Melanie Colusci, a financial planner with Pittsburgh-based Strategic Financial Designs. For her part, Florina Shutin, a New York City-based advisor with Wells Fargo Advisors, believes that although the advisory industry contains a degree of diversity, it remains more homogeneous than the population as a whole. "The industry is still male-dominated, but many cultures, ethnicities and religions are represented. I believe the industry is evolving to mirror the broader population," she says.

### Relationships and planning will be more important

Greater diversity in the client base means advisors' clients present a more varied set of financial problems. For example, clients are seeking financial advice at a younger age than they might have 30 years ago. Younger clients often have less experience and savings power while trying to balance multiple savings goals, according to Steven Beauvais, an Investment Advisor Representative at Lincoln, R.I.-based Sowa Financial Group, Inc. "Financial planning can be more challenging as a result, and there's potentially a need for education across multiple languages and cultures," he says.

Meanwhile, a push for more individualized planning has moved many advisors beyond transaction-oriented business models toward a more holistic financial planning model. "This new emphasis places a premium on true discovery: on not just knowing your clients' investments but more about their families, goals, leisure activities and professional lives," says Carol Richards, a New York City-based financial advisor and CERTIFIED FINANCIAL PLANNER® with the Global Wealth Management Division of Morgan Stanley.

The shift to more holistic planning also puts the onus on advisors to develop meaningful relationships with clients—particularly with previously underserved segments that are assuming greater financial responsibilities, such as women. "Financial planning is a relationship business, and female and male advisors who understand how women's insight, perspective and life experience differ from men will gain trust and long-term relationships," says Kathie Muhler, a tax and investment advisor based in Burlingame, Calif.

For advisors to adopt a relationship-driven process, however, they need to have the necessary tools to listen and understand their clients. Andrew Perri, President and Founder of Brighton, Mich.-based Pinnacle Wealth Management, believes today's advisors are better trained than they were 20 years ago in this respect, but consumers are demanding more. "Today's consumer is more educated. They have outside resources available to them, such as financial workplace education or adult education classes," he says. "They need a client-centered solution, not a specific product."

### Survival of the fittest

In some ways, the success of the industry is at stake. "An inadequate response by the industry to these demographic changes in the client base risks advisors becoming less relevant as a profession, or at least insufficiently recognized for the important role we can serve in helping clients of all backgrounds plan for their financial futures," says Bruce Stuart,\* a San Francisco based financial advisor with Morgan Stanley's Global Wealth Management Division.

And yet, while the industry as a whole may be slow to change, individual advisors are fully capable of adapting quickly. Many advisors are already embracing the relationship-driven process. Those that do have a chance to thrive; those that don't may struggle. "Many advisors who maintain the 'status quo' in their business practices when dealing with current and prospective clients and who fail to embrace the industry dynamics of the future will likely see declining business," says G. Frederick Schroeder, President and Chief Investment Officer of Schroeder Capital Management, LLC, in Lafayette, Calif.

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\*Bruce Stuart is a Financial Advisor with the Global Wealth Management Division of Morgan Stanley in San Francisco. The information contained in this article is not a solicitation to purchase or sell investments. Any information presented is general in nature and not intended to provide individually tailored investment advice. The views expressed herein are those of the author and may not necessarily reflect the views of Morgan Stanley Smith Barney LLC, Member SIPC, or its affiliates.