

REMOVING BARRIERS TO RACIAL AND ETHNIC DIVERSITY IN THE FINANCIAL PLANNING PROFESSION

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OVERVIEW FROM CFP BOARD CENTER FOR FINANCIAL PLANNING STUDY

As consumer demand for financial advice grows, it is imperative that the financial planning profession work toward expanding and diversifying the ranks of financial planning professionals who can meet the needs of increasingly diverse consumers. However, based on self-reported data provided to CFP Board, less than 3.5 percent of all 80,000 CFP® professionals in the United States are black or Latino, which is significantly less than the representation of blacks and Latinos in the U.S. population.

To address this challenge and its root causes, the CFP Board Center for Financial Planning (Center) commissioned a comprehensive research study to identify the barriers to racial and ethnic diversity in the financial planning profession.

The qualitative and quantitative research examined the attitudes and perceptions of 2,276 individuals from key groups with a stake in the composition of the financial planning profession. These groups include hiring professionals at financial services firms, current CFP® professionals, consumers currently working with a financial planner, and black and Latino business professionals open to the idea of becoming a financial planner (age 20-54).

The Center examined the following hypotheses in the research, which were discovered during the initial literature review and qualitative phase of the study:

- Black and Latino business professionals may lack adequate information as to what financial planning involves, or lack adequate information on what it takes to be successful as a financial planner.
- Prevalent business models and compensation methods in financial planning may be unattractive to blacks and Latinos or not aligned with their income requirements.
- Racial and ethnic bias and discrimination may play a role in the underrepresentation of blacks and Latinos in financial planning, either because firms are less likely to hire and support them, or because blacks and Latinos are less likely to pursue a career based on the assumption that they will not be hired or supported.
- There may be a lack of visible role models, networks and professional development programs for blacks and Latinos in financial planning.

KEY FINDINGS

FINDING #1: RESEARCH PARTICIPANTS ACROSS ALL DEMOGRAPHIC CATEGORIES BROADLY ACKNOWLEDGE THERE IS A LACK OF RACIAL DIVERSITY AMONG CFP® PROFESSIONALS.

- A majority of all those surveyed, no matter their race or ethnicity, have a primary image of a financial planner as a white male. This image aligns with reality:
 - 75 percent of current CFP® professionals perceive the typical financial planner to be white and male.
 - 61 percent of consumers surveyed work with a financial planner who is white and male.
- A majority of survey participants across all segments, including seven-in-10 CFP® professionals are aware that blacks and Latinos are underrepresented.
- What's more, majorities of all participants believe that firms are more likely to hire white professionals than black or Latino professionals.
 - More than half (56 percent) of all survey respondents say white professionals are more likely to be hired than black professionals.
 - Nearly half (48 percent) of all survey respondents say white professionals are more likely to be hired than Latino professionals.
- One-in-three (34 percent) black CFP® professionals and one-in-five (22 percent) Latino CFP® professionals think there are a lack of opportunities for blacks and Latinos in the profession.
- One-in-three (33 percent) Latino CFP® professionals believe companies are a lot more likely to hire whites as financial planners than blacks or Latinos.
- Even more striking, 70 percent of blacks think companies are more likely to hire whites than blacks.

FINDING #2: THE MAJORITY OF SURVEY PARTICIPANTS ACROSS ALL SEGMENTS THINK THERE IS NO DIFFERENCE IN SKILL SET BETWEEN WHITES AND BLACKS (78 PERCENT) OR LATINOS (69 PERCENT).

- And yet, 16 percent of all participants still think whites are more skilled in financial planning than blacks.
- Even more survey participants think whites are more skilled than Latinos (25 percent).
- While most people agree there is no difference in skill set, among prospective financial planners who are black or Latino, 58 percent have never seriously thought of becoming a financial planner.

FINDING #3: VARIOUS SURVEY RESPONDENTS DIFFER DRAMATICALLY ON WHAT THEY THINK THE ROOT CAUSES ARE OF UNDERREPRESENTATION OF THOSE WHO ARE NOT WHITE.

- The majority of those CFP® professionals who are neither black nor Latino attribute the lack of diversity in general to reluctance to pursue the profession (58 percent, versus only 10 percent who attribute it to companies' reluctance to hire people of color).
- Black CFP® professionals are more likely to attribute the lack of diversity to reluctance of companies to hire or promote blacks, Latinos and others who are not white (27 percent, versus only 23 percent who say it's because those who are black or Latino are reluctant to pursue the profession).
- More than one-in-three (34 percent) of black CFP® professionals and one-in-five (22 percent) Latino CFP® professionals think there are a lack of opportunities for blacks and Latinos in the profession.

FINDING #4: DESPITE THE FACT THAT PROSPECTIVE FINANCIAL PLANNERS WHO ARE NOT WHITE ARE MORE LIKELY TO DISTRUST THE PROFESSION, BLACK AND LATINO CFP® PROFESSIONALS SAY THEY ARE AS HIGHLY SATISFIED IN THEIR CAREERS AS OTHER CFP® PROFESSIONALS.

- While the majority of CFP® professionals are “very likely” to recommend financial planning to others as a career, black CFP® professionals are most likely at 68 percent with Latino CFP® professionals following closely at 59 percent.
- To boost diversity in the financial planning profession, most of those surveyed agree on the following strategies:
 - Formal mentoring programs (56 percent)
 - Introducing financial literacy to students earlier in the education path (54 percent)
 - Boosting awareness of the career in financial planning (51 percent)
 - More diversity hiring programs (34 percent)

ABOUT THE RESEARCH

The CFP Board Center for Financial Planning commissioned the comprehensive qualitative and quantitative research exploring racial and ethnic diversity among financial planners. The research was conducted by Fondulas Strategic Research in consultation with the Center and The Raben Group. Quantitative findings are based on an online survey of professionals at financial firms responsible for recruiting and hiring financial planners; current black and Latino CFP® professionals; CFP® professionals who are neither black nor Latino; consumers who work with a financial planner, with investable assets or income of \$100,000 or more; and black and Latino business professionals and students, age 20-54, open to considering a career in financial planning. Qualitative results are based on in-depth interviews and focus groups with the same constituent groups. A sample of 2,276 adults from the U.S. participated in the study.

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