

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

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BACKGROUND AND OBJECTIVES

The research was conducted in two 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 and hiring** financial planners (1 group)
 - Current black and Latino **CFP® professionals** (3 groups)
 - **Consumers** who work with a financial planner, with \$100K+ in income or \$100K+ in investable assets (2 groups)
 - **Financial planning “prospects”**: Black and Latino business professionals and students, age 21-54 (2 groups)
2. **In-depth telephone interviews** with blacks and Latinos who:
 - Are **enrolled** in CFP Board-registered certificate and degree programs (9 participants)
 - **Considered pursuing a financial planning career** but decided not to (3 participants)
 - Are **former financial planners** (2 participants)
 - Are **Educators**: Educators who manage CFP Board-registered certificate and degree programs (5 participants)

Facilitators



Peter Fondulas



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The research was conducted in two phases

Phase 2: Confirmatory/Quantitative

1. Comprehensive online survey with:

- Professionals at financial firms **responsible for recruiting and hiring** financial planners
- **CFP® professionals:** Black, Latino and a multitude of other ethnicities
- Consumers who work with a financial planner (\$100K+ in income; \$100K+ in investable assets)
- Financial planning “prospects”: Black and Latino business professionals who are open to becoming a financial planner (age 20-54)

2. Completed surveys: 2,182

	Interviews
Hiring pros	100
Ethnically diverse CFP® professionals	688
Black CFP® professionals	213
Latino CFP® professionals	181
Consumers who work with a financial planner	400
Black prospects	300
Latino prospects	300

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**SUMMARY OF KEY
FINDINGS**

Top-Level Research Highlights and Implications

1. Lack of racial diversity in the profession is broadly acknowledged

- **Most at least assume** that blacks and Latinos are underrepresented
- This is the case even though the majority of all study participants **see no differences** in skill set between ethnicities

2. Three broad factors are widely seen as contributing to the status quo

- **Economic inequality and cultural norms** for people of color, resulting in less personal or family experience with long-term financial planning, leading to lower levels of confidence that one will be accepted in the profession
- **Firms' hiring and onboarding practices**, with an emphasis on bringing in candidates who already have a strong network of potential clients
- **Clients' implicit biases**: Consumers' unconscious preferences for working with professionals who have similar backgrounds

3. Constituents differ dramatically on specific root causes

- **White CFP® professionals and Consumers** attribute lack of diversity to **reluctance to pursue the profession**
- **CFP® professionals generally** blame **lack of commitment** to hire minorities, as well as **unclear career paths**
- **CFP® professionals of color** cite **firms' reluctance to hire** blacks and Latinos
- **Black prospects** are especially critical of firms, more likely to feel they're **prejudiced or offer few opportunities**

Top-Level Highlights and Implications (continued)

4. **CFP® professionals are highly satisfied with the profession; CFP® professionals of color are just as satisfied as whites**
 - In fact, black CFP® professionals are actually **MORE likely than whites to recommend financial planning to others as a career**
 - That makes the challenge the following: **how to attract prospects of color, currently skeptical about firms in the industry, to a career they're likely to find satisfying and rewarding**
5. **Most agree that four general strategies for boosting diversity will be most effective**
 - Formal **mentoring** programs
 - **Introducing the profession** to students earlier in the education path, in part through **financial literacy initiatives**
 - **Boosting awareness** of the career
 - More **diversity hiring programs** at firms
6. **The research also points to several potential messaging strategies**
 - **For Firms:** Planners of color will have an advantage attracting the growing population of clients of color
 - **For Prospects:** Financial planning is a highly satisfying career, allowing one to help people achieve personal financial goals and challenges—and offers an opportunity to give back to one's own community



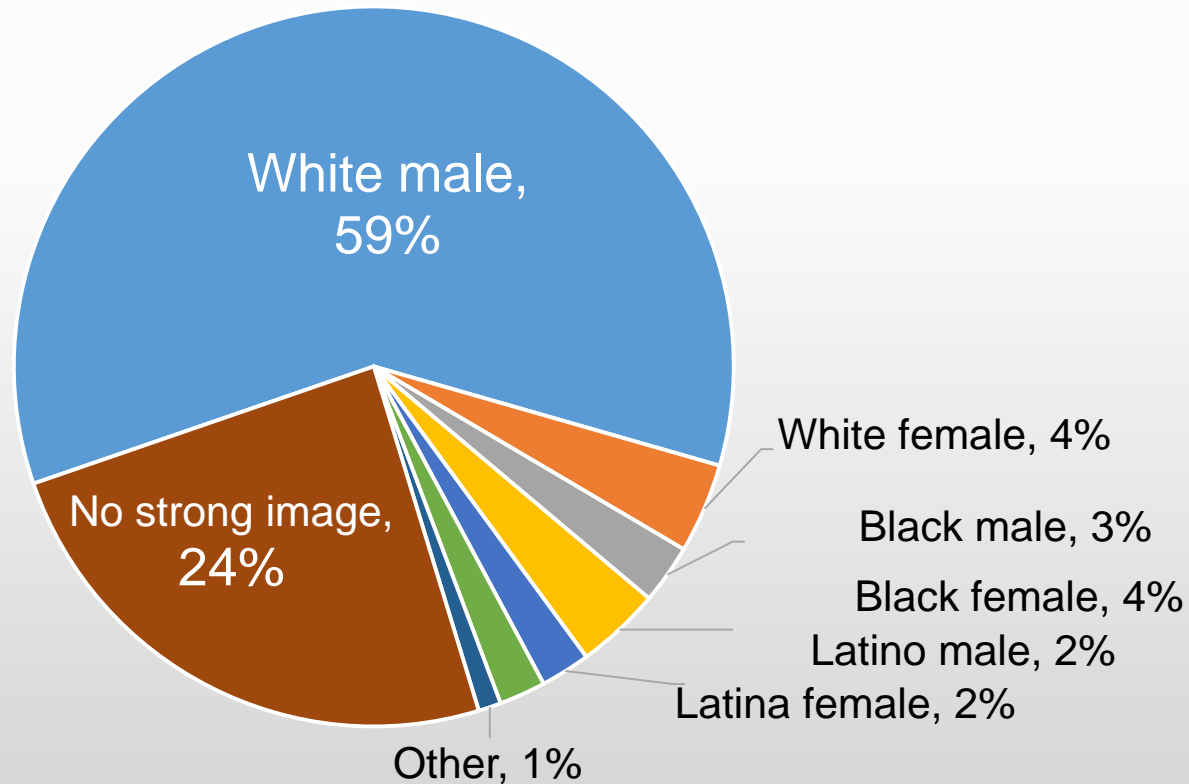
THE STATUS QUO

Broad Recognition of Lack of Diversity

White male was the primary image of financial planners among participants in the quantitative survey

- CFP® professionals, especially blacks, are even more likely to describe planners as white males

How Would You Describe The Typical Financial Planner?

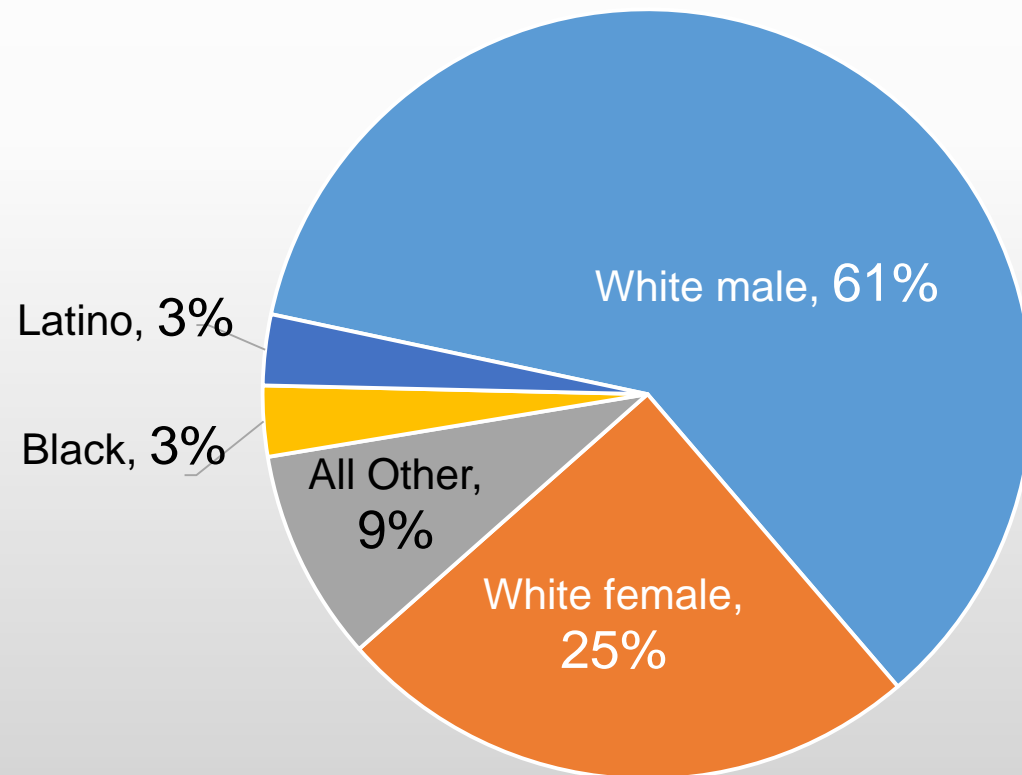


White Male	
Among CFP® professionals	75%
Among black CFP® professionals	81%

The *white male* image perception is based on an important reality

- Most consumers work with a financial planner who **is** a white male

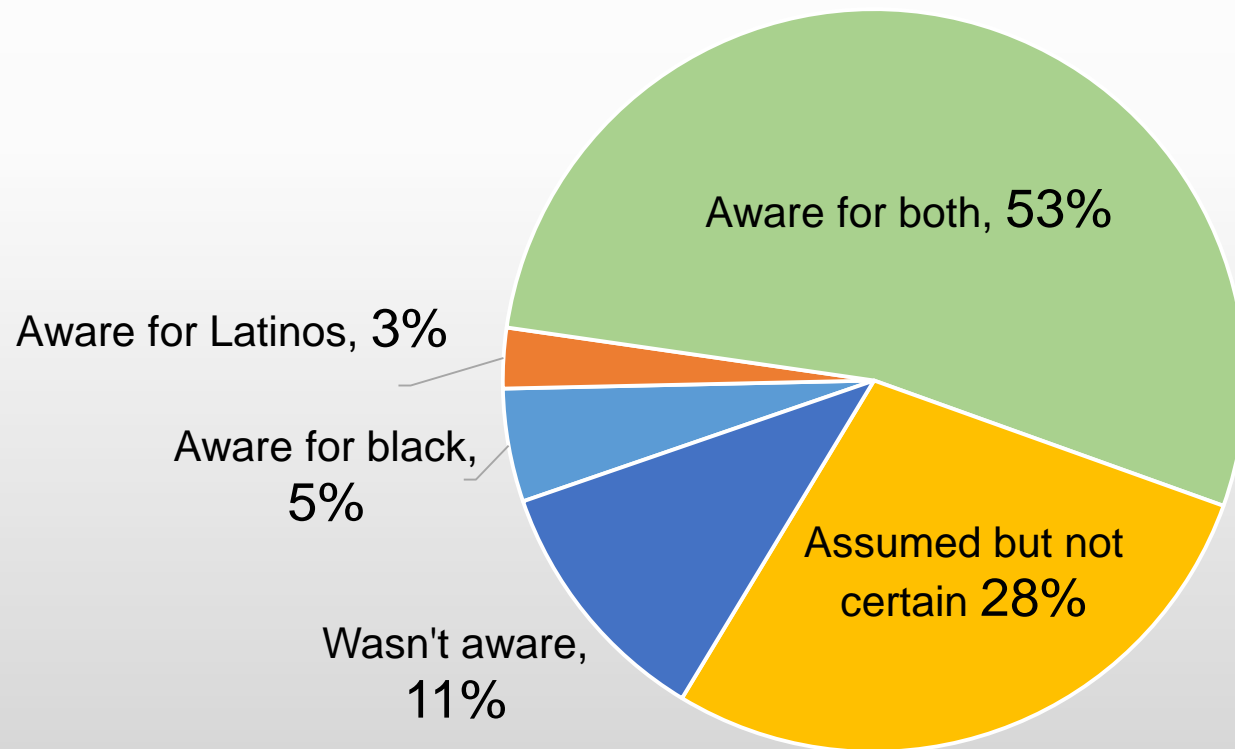
Ethnic/Gender Characteristics of Financial Planner You Work With Among Consumers Who Work with a Financial Planner



A majority at least assume people of color are under-represented in the financial planning field

- CFP® professionals and black CFP® professionals are much more likely than average to be aware of the current lack of diversity

Aware That People of Color Underrepresented in Field?



Aware for Both

Among CFP® professionals	70%
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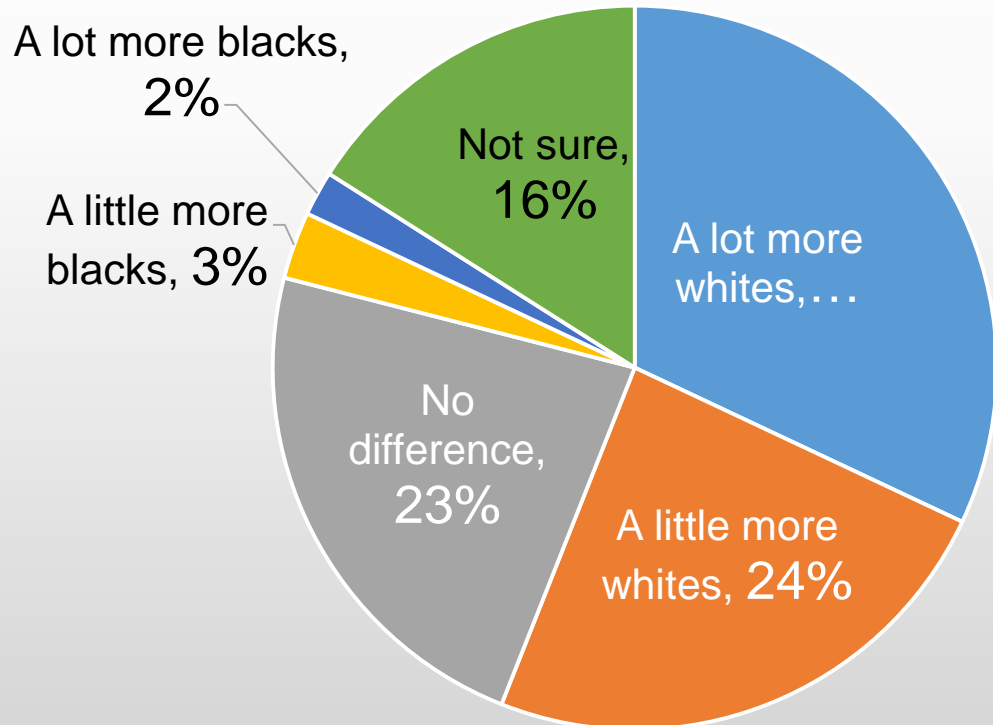
Among black CFP® professionals	80%
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Most also agree that whites are more likely to be hired than either blacks or Latinos

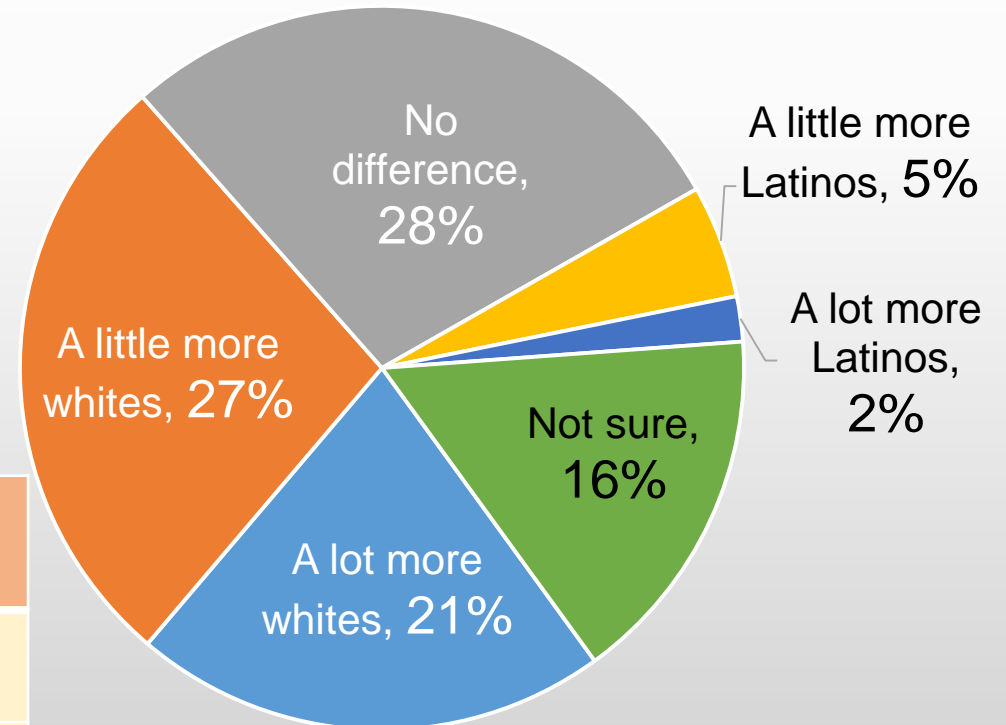
- 56% say whites are more likely to be hired than blacks (only 5% feel the opposite); 48% believe whites are more likely to be hired than Latinos (only 7% feel the opposite)

Who Are Companies More Likely to Hire?

Whites or blacks?



Whites or Latinos?

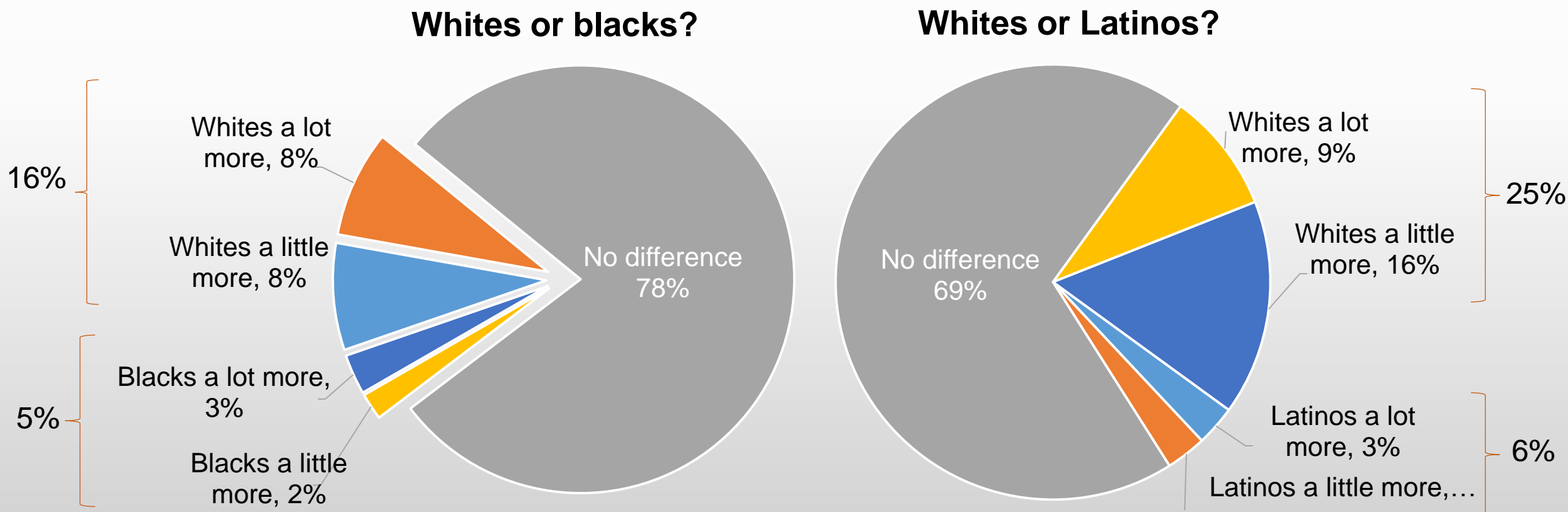


Total More Likely to Hire Whites	
Vs. Black	Vs. Latino
56%	48%

This level of inequality exists even though majorities see no difference in skill sets

- About three-fourths feel there's no difference in skills; however, not inconsiderable percentages think whites are more skilled than blacks (16%); even more think whites are more skilled than Latinos (25%)

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



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LACK OF DIVERSITY: BROAD FACTORS

Agreement on range of potential barriers inhibiting diversity

Both phases of the research identified three broad categories explaining the current lack of diversity

1. Economic Inequality and Cultural Norms, Resulting In:

Profession not on radar: Many prospects have never thought about the profession

Lack of confidence: In financial literacy

Fear of not fitting in: Won't be accepted in largely white profession

Pay structure panic: Fear of commission-based compensation

Few role models: Few people of color to aspire to be like

2. Firms' Hiring and Onboarding Policies

Focus on immediate return: Firms want prospects who can bring in clients right away

Commission structure: Fears about commission are realized: most firms use commission for new hires

Like-to-like mindset: Belief that clients want to work with planners who have similar background (cultural and ethnic)

Subjective hiring criteria: "Lack of fit" is an easy excuse for rejecting candidates

3. Clients' Inherent Biases

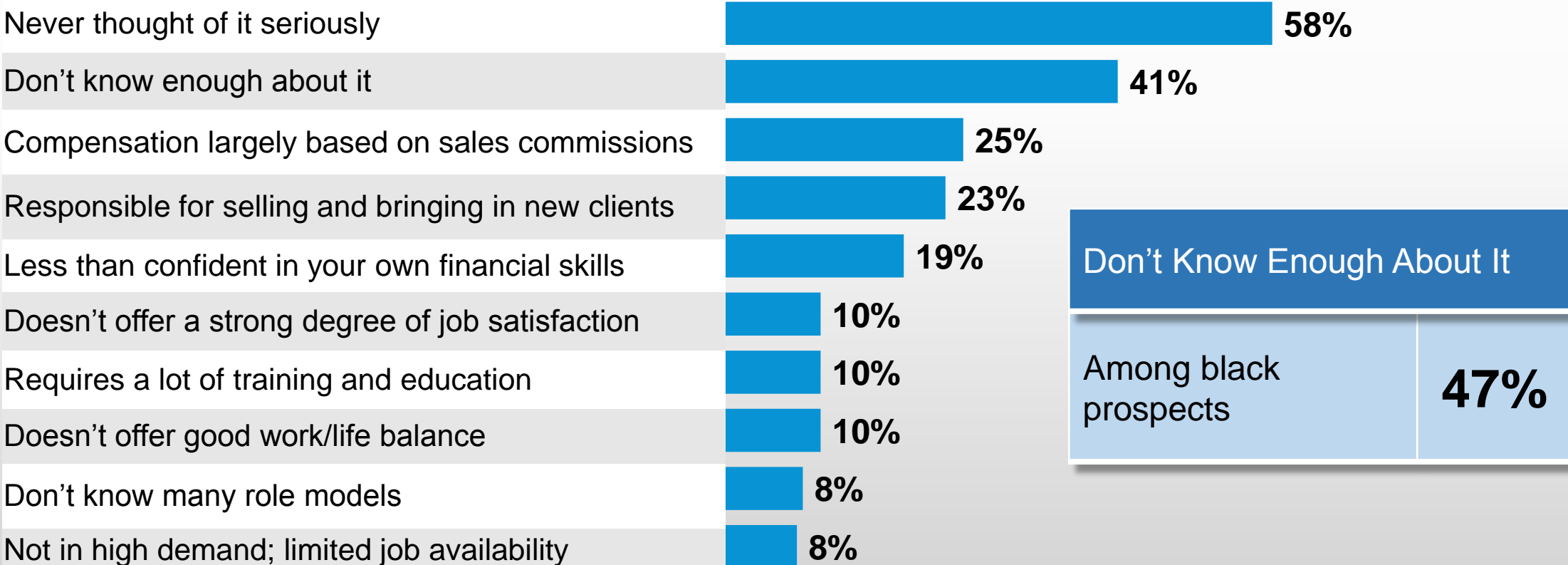
Unconscious preferences for someone with similar background

See following charts for examples...

OFF THE RADAR: Top reason for low interest in FP among people of color: not top of mind as a career

- Black prospects are also more likely than average to say they don't know enough about the profession

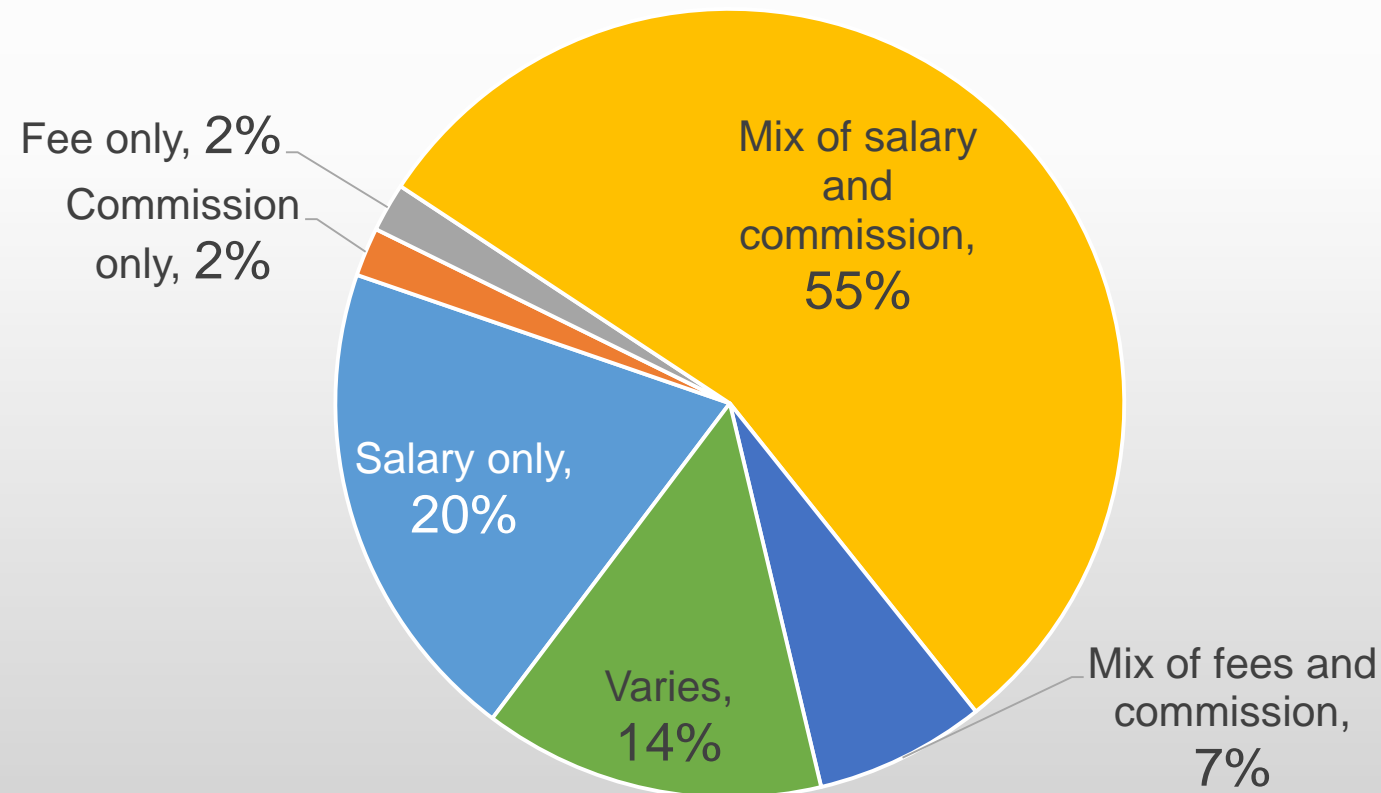
Reasons for Lack of Interest in Becoming a Financial Planner (Top) Among Black and Latino Business Prospects Not Interested in Profession



8D. What are the main reasons you would NOT be interested in becoming a financial planner?

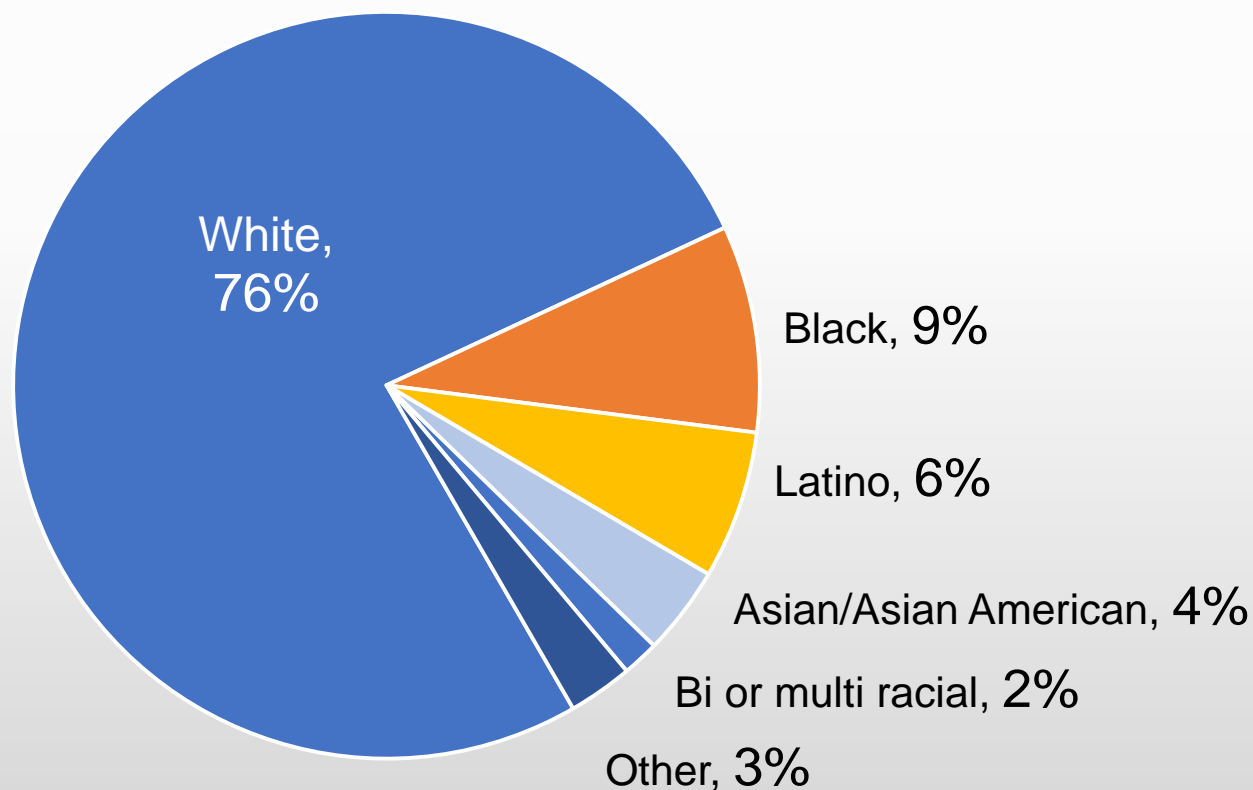
PAY STRUCTURE PANIC: Prospects' concerns that firms use a commission pay structure match reality

Financial Planner Salary Structure in Firms, For Planners Just Starting Out Among Hiring Pros



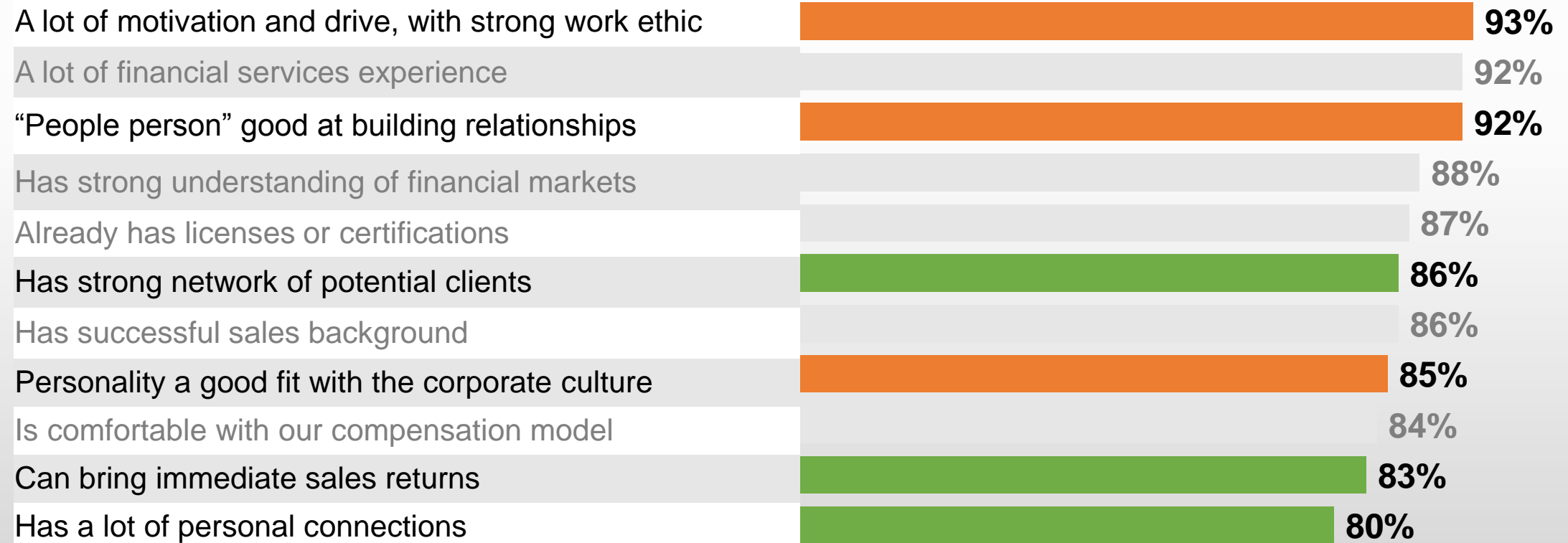
LIKE-TO-LIKE: Easy for firms to justify targeting white prospects as planners: vast majority of clients are white

Ethnic Distribution of Clients Among Financial Planners Who Work Directly With Clients



SUBJECTIVE HIRING/IMMEDIATE RETURN: “Fit” and “have existing network” are key hiring criteria

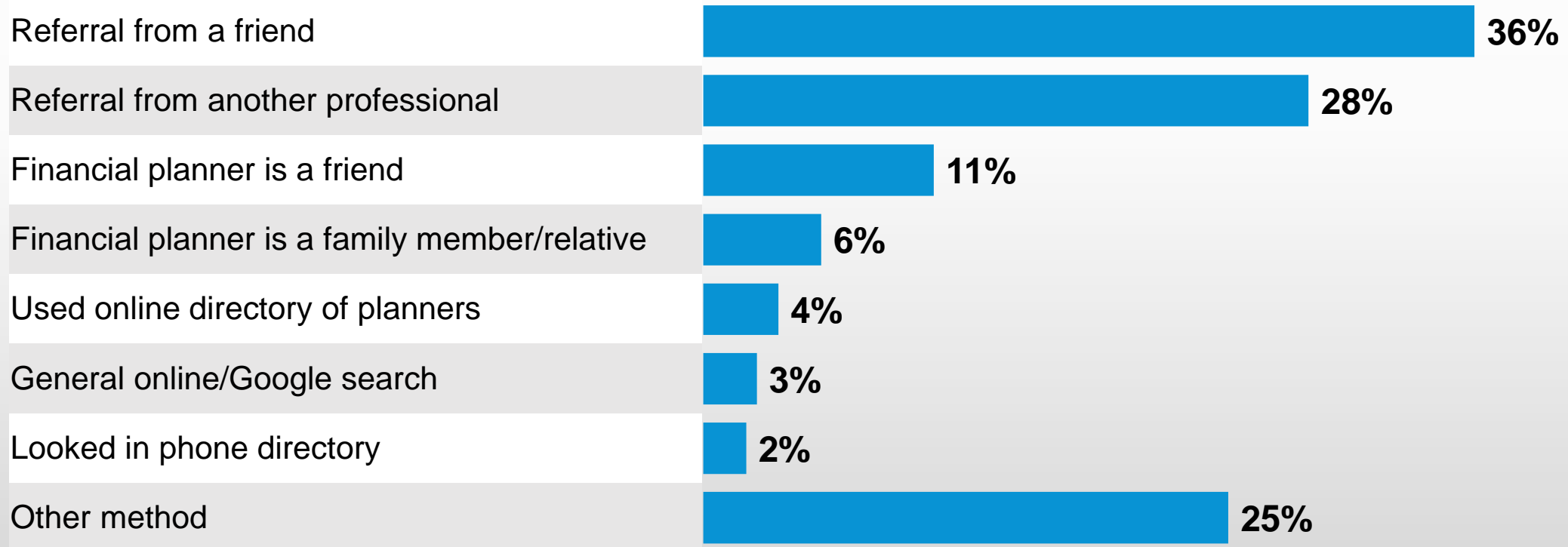
Likelihood to Hire Based on Characteristics (Top “Extremely/Very Likely”) Among Hiring Pros



CLIENTS' IMPLICIT BIASES: Clients rarely venture outside current “circle” when choosing planners

- Most found their planners through referrals from friends or other professionals

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





THE GREAT DIVIDE

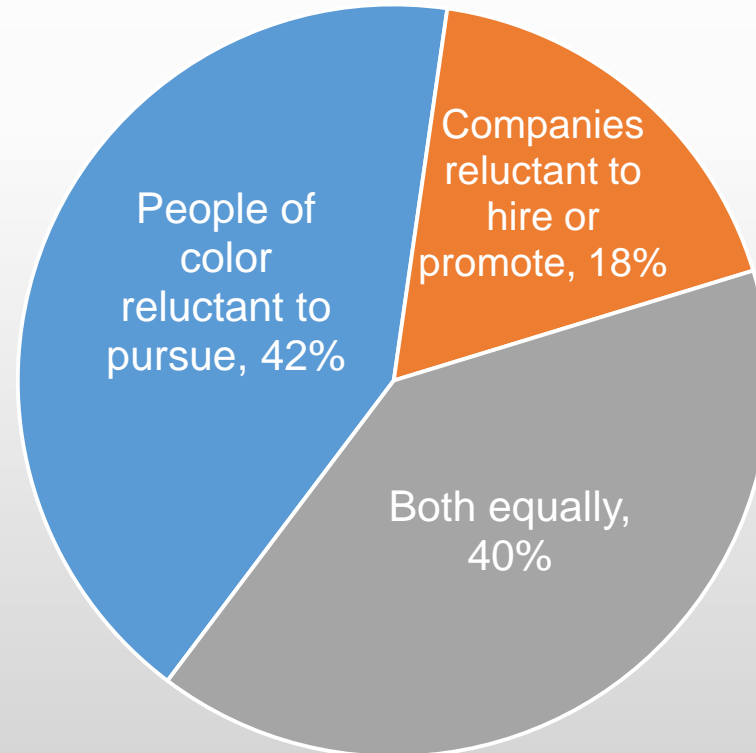
Going Beyond Categories to True Root Causes

Participants differ on who's mainly responsible for underrepresentation of people of color

- White CFP® professionals are more likely to feel prospects of color are reluctant to pursue the profession; prospects and black CFP® professionals are more likely to say firms are reluctant to hire

Broad Reason for Underrepresentation of People of Color

Among CFP® professionals, neither black nor Latino	58%
Among consumers	46%



Among black and Latino business prospects	29%
Among black CFP® professionals	27%

Participants across the board are most likely to attribute lack of diversity to two key factors

- Lack of role models for people of color
- The profession being “off the radar” – not top of mind – among blacks and Latinos

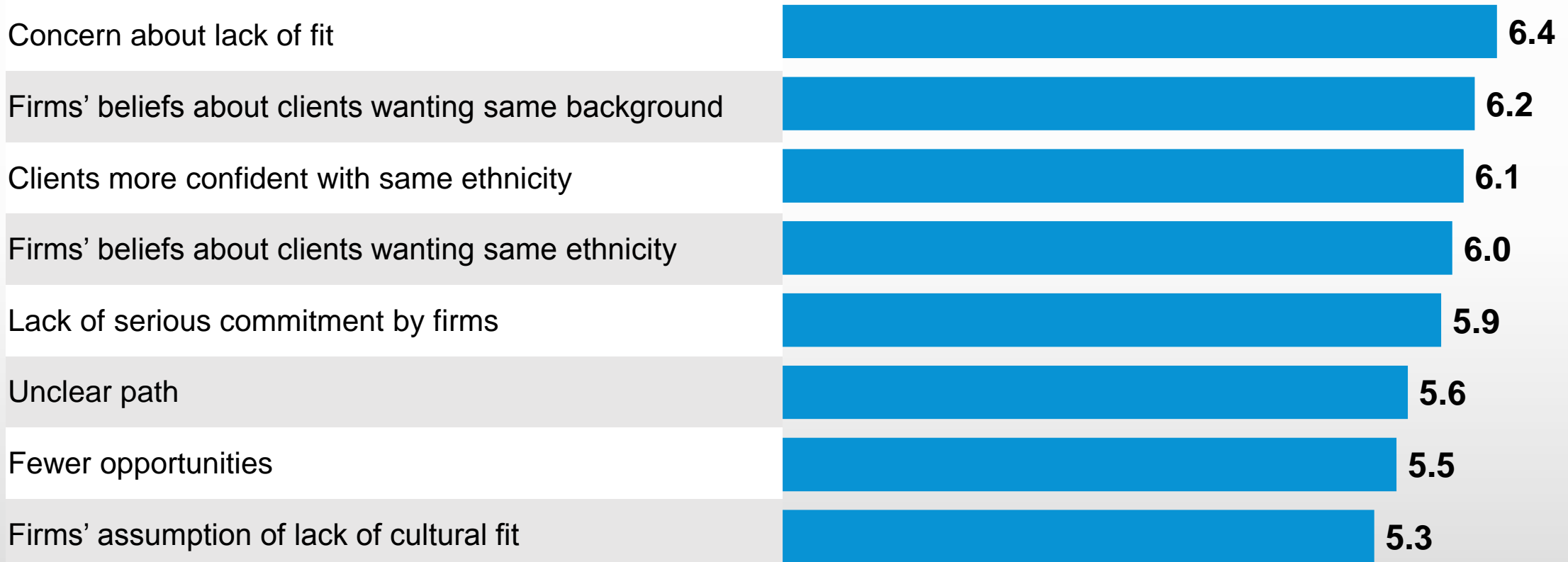
Reasons for Underrepresentation: Two Factors with Greatest Impact



ON INTERPRETING THESE NUMBERS: The number corresponding to the bars represents the **relative impact** of each factor on the diversity status quo, according to participants. The higher the number, the greater the perceived impact.

A range of other causes are also seen as contributing, with the “like-to-like” assumption strongly represented

Reasons for Underrepresentation: Factors with Moderate Impact



ON INTERPRETING THESE NUMBERS: The number corresponding to the bars represent the **relative impact** of each factor on the diversity status quo, according to participants. The higher the number, the greater the perceived impact.

Black prospects stand out from other groups in what **THEY** see as the causes

- They're consistently the most likely to cite outright racism in hiring, or firms not offering enough opportunities

Reasons That Rank Higher Than Average

Black Financial Planning 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) ↑



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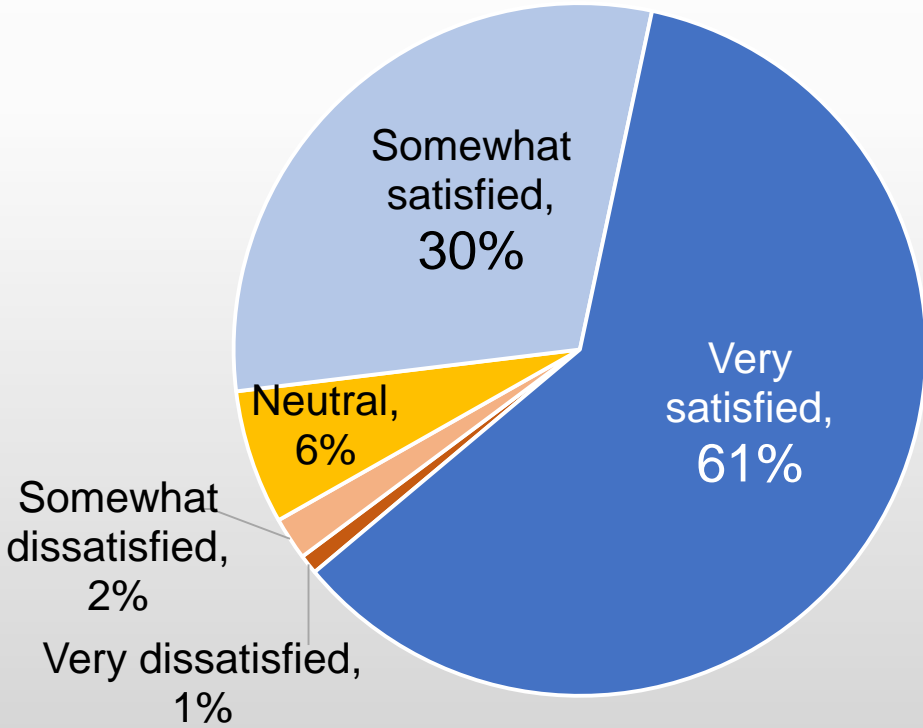
THE SILVER LINING

How Current Financial Planners Feel About the Profession

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

- What's ironic: prospects of color (especially blacks) are more likely to distrust the industry. But CFP® professionals of color are as highly satisfied in their careers as whites

Overall Satisfaction with Financial Planning Career Among Current Financial Planners



Very Satisfied Among:	
Among neither black nor Latino CFP® professionals	61%
Black CFP® professionals	60%
Latino CFP® professionals	62%