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THE KEY FACTORS THAT DRIVE FINANCIAL PROFESSIONALS TO CHANGE THEIR BROKER/DEALER

Company culture and alignment with values is among one of the top reasons for change in broker/dealer.



When it comes to their relationships with broker/dealers, financial professionals aren't necessarily committed to staying put. In fact, these professionals may be swayed to shift to a new broker/dealer due to a variety of factors, including better pay or a corporate culture that aligns more closely with their own values.

Those findings are from a recent WealthManagement.com survey that asked financial professionals a range of questions about their relationships with their current broker/dealers. The survey also looked into the factors that led to a change in affiliation or may spark such a change in the future. Respondents represented a variety of broker/dealer types, from independent to full-service broker/dealers. The length of their affiliation with their current broker/dealer also varied, although the majority reported having at least 20 years in the wealth management industry.

Financial professionals cited a range of issues affecting their satisfaction with their current broker/dealers—and their likelihood of transitioning away. That said, some issues stood out as more important than others.

Here are five key takeaways:

1. **Financial professionals want support when it comes to growing their practice and building a succession plan.** Dissatisfaction with support in these areas is an industry-wide concern.
2. **Financial professionals want a broker/dealer that aligns with their values.** Culture, while hard to quantify, is a major factor in financial professional satisfaction.
3. **Compensation tops the list of motivators for switching to a new broker/dealer.** Higher payouts, especially when accompanied by other factors, can incentivize transitions for financial professionals.
4. **Technology is another wedge issue for financial professionals.** Out-of-date, one-size-fits-all technology can drive financial professionals to seek out a new broker/dealer.
5. **COVID-19 is putting financial professionals' plans on hold.** Financial professionals who were considering a new/broker dealer are delaying their plans due to the pandemic.

In the following five sections, we'll explore the full scope of the survey results, digging deeper into each of these central areas of concern.

FINANCIAL PROFESSIONALS WANT SUPPORT WHEN IT COMES TO GROWING THEIR PRACTICE AND BUILDING A SUCCESSION PLAN

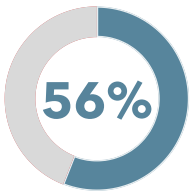
Financial professionals across the board want more support from their broker/dealers in the areas of acquisitions/growth and succession planning. Among financial professionals who have changed broker/dealers in the last three years, 56% say they were dissatisfied with their previous broker/dealer's level of support with regard to acquisitions and growth, and 49% say they were dissatisfied with their previous broker/dealer's succession planning support.

In addition, many financial professionals aren't completely satisfied with their current broker/dealers in these areas. Less than half say they are "extremely" or "very" satisfied with their current broker/dealer's levels of support with these issues—37% for acquisitions/growth and 46% for succession planning.

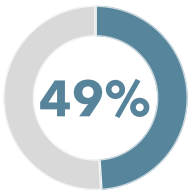
For individual financial professionals, the level of satisfaction with regard to growth issues largely depends on the firm's size, aggressiveness and marketing sophistication. The more resources that go toward growth, the better equipped financial professionals are to expand their business.

However, in spite of the widespread dissatisfaction with growth and succession planning support, financial professionals rank these issues low on their list of considerations that drove them to leave their previous broker/dealer or might drive them to leave their current broker/dealer. For example, just 14% of respondents said dissatisfaction with succession planning alone would lead them to make a switch. These results indicate that while growth and succession planning support is a serious friction point for many financial professionals, it's typically not a deal-breaker.





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FINANCIAL PROFESSIONALS WANT A BROKER/DEALER THAT ALIGNS WITH THEIR VALUES

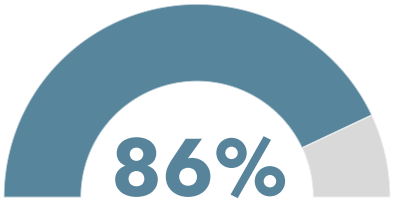
Financial professionals want to feel comfortable with their broker/dealer's culture. A large majority (86%) say they prefer to work with a broker/dealer that aligns with their values. Additionally, among the biggest considerations that might lead financial professionals to switch broker/dealers is if their current one is acquired by another firm or if they're worried about their current firm's sustainability.

"Culture" can be hard to define, but financial professionals know a culture that aligns with their values when they see it. Kestra Financial's own qualitative research found that financial professionals who recently switched report experiencing a "good feeling" or "good vibe" when they visited their new broker/dealer. Energy, youth, diversity and cutting-edge ideas often attract financial professionals, as do the quality of training, the accessibility of executives and an emphasis on peer networking.

"It was important to me not to be stuck in the typical old-school boys club broker/dealer," said one financial professional who had recently switched to Kestra Financial. Moreover, financial professionals who gravitate toward certain cultures affirm the values of those firms, creating a self-perpetuating cycle that draws in like-minded people.

Of survey respondents who have changed broker/dealers in the past three years, 41% say they were dissatisfied with their previous firm's culture, compared to just 12% of financial professionals overall who are dissatisfied with their current firm's culture. Meanwhile, 40% of this group say they were dissatisfied with their access to top executives, compared to 19% of financial professionals overall who are currently dissatisfied with that access.

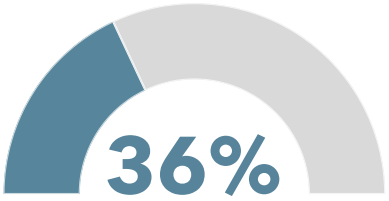




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COMPENSATION TOPS THE LIST OF MOTIVATORS FOR SWITCHING TO A NEW BROKER/DEALER

For financial professionals, as for most individuals, income matters. While the vast majority of financial professionals (84%) say it's unlikely they'll leave their broker/dealer in the near future, better compensation from another broker/dealer is the top motivator that might lead a financial professional to make the change. More than one in three (36%) say higher payouts alone could motivate them to leave their current broker/dealer. And among respondents for whom it's likely they'll change broker/dealers in the next two years, none say they're "extremely satisfied" with their current compensation.



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One reason compensation is important, many financial professionals say, is that higher payouts can be reinvested into their business, driving the potential for growth. That said, financial professionals may not automatically choose the broker/dealer with the highest compensation if that move doesn't also offer improvements in other areas, such as technology and company culture.

A high level of satisfaction with current payouts also keeps compensation from driving financial professional transitions on a broad scale. Consider that 86% of respondents report satisfaction with their current compensation. Given that many independent broker/dealers offer similarly competitive levels of compensation, a firm's broader offerings can prove to be the differentiating factor when it comes to luring financial professionals.



TECHNOLOGY IS ANOTHER WEDGE ISSUE FOR FINANCIAL PROFESSIONALS

Technology is critical for financial professionals, both in terms of operating their business and providing high-quality client experiences, so it's not surprising that it ranks high on the list of issues that drive financial professionals to seek out a new broker/dealer. Nearly one in three (30%) of survey respondents say better technology could draw them to another broker/dealer – among the top three motivators along with better compensation and the prospect of their current broker/dealer being acquired by a larger firm.

Moreover, among respondents who are likely to change broker/dealers in the next two years, only 38% report satisfaction with their current firm's technology platform. That's compared to 71% of total respondents who report some level of satisfaction, including 25% who are "very" or "extremely" satisfied.

One reason tech is such a critical issue for financial professionals considering a switch is that it's easy to compare between broker/dealers. The difference between best-in-class platforms and technology that's behind the curve is easy to spot and evaluate. That said, some financial professionals report switching to a new firm for other reasons, only to realize the difference in technology when they arrive.

When asked to name the most important technology options, financial professionals cited an advisory platform/wealth management platform (51%), financial planning software (51%) and performance reporting (44%). In addition, financial professionals tend to report dissatisfaction with technology that's out-of-date and/or not financial professional-specific. The technology financial professionals appreciate, meanwhile, is accessible, flexible, scalable and secure.



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COVID-19 IS PUTTING FINANCIAL PROFESSIONALS' PLANS ON HOLD

Only 16% of survey respondents said they were considering changing to a new broker/dealer before the COVID-19 pandemic hit the U.S. Among this relatively small group, 58% say the pandemic has delayed their plans. Only 18% say COVID-19 has accelerated their plans to find a new broker/dealer, perhaps due to the pandemic exacerbating undesired conditions at their current firm.

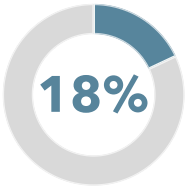
The logistics of searching for a new job have become more complicated during the pandemic, leading many workers to hold tight at their current jobs until a return to relative normality. However, some financial professionals say certain factors would make them feel more comfortable making the change to a new broker/dealer. Among these factors, the leading ones were assistance repapering clients (34%), a single dedicated and knowledgeable support person to help with the transition (33%), access to a team of peers at the new firm to answer questions and provide guidance (29%) and assistance with client communication (29%).

Given the number of financial professionals delaying their plans to switch to a new broker/dealer during the pandemic, it's reasonable to expect a surge in transitions when the pandemic is brought under control. Broker/dealers, for their part, would do well to begin planning to accommodate this surge. Evaluating the key areas outlined above could be a productive starting point.

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