

What Actually Contributes To Financial Advisor Wellbeing

Executive Summary

- Working as a financial advisor is perceived as a meaningful and rewarding career. Unfortunately, though, little data is available to actually assess the subjective wellbeing of financial planners themselves.

- Using a positive psychological framework even broader than the PERMA framework (the Comprehensive Inventory of Thriving), this study finds that wellbeing is very high among financial advisors, with advisors scoring better than the general population on each of 7 higher-order wellbeing constructs (relationship, engagement, mastery, autonomy, meaning, optimism, and subjective wellbeing) used to assess wellbeing in this study, along with each of the 18 well-being submeasures (16 positive elements and 2 negative elements).

- Relative to the general population, advisors rank particularly high on accomplishment and self-efficacy. The combination of both is notable, given that financial planners not only assist clients in setting and achieving their financial goals, but are also very focused on setting and achieving goals themselves.

- The lowest levels of wellbeing were observed among lead advisors who are paid a salary plus a non-revenue driven bonus (e.g., based on individual or firm goals). However, lead advisors receiving a base salary and moderate revenue-driven bonuses reported similar wellbeing to those with solely revenue-based compensation. In addition, revenue-driven bonuses

were *not* associated with higher wellbeing among associate advisors, who seemed to prefer (non-revenue-driven) bonus criteria that was more in their control.

- While solo advisors with support staff rank highly among a number of advisor wellbeing metrics, these advisors ranked lower than ensemble or even solo advisors regarding feelings of loneliness. This may be at least partially explained by solo advisors being much more engaged in professional organizations (e.g., XYPN, NAPFA, FPA).

- Advisors reported a median income of \$192,000, which is much higher than income among US households (e.g., \$68,700 in 2019). Advisor wellbeing did generally increase with income, and there was *not* any observed leveling off in wellbeing increases at the highest levels of income (e.g., \$1 million and higher).

- Unlike income (where increases are consistently associated with greater wellbeing), we do see revenue “sweet spots” among advisors (beyond which wellbeing actually declines). Overall wellbeing tends to peak around \$1.5 to \$2.0M in revenue, likely a reflection of the added stress and complexity that comes with managing an advisory practice with more than \$2.0M in revenue. Additionally, more localized peaks in wellbeing occur around \$250k - \$350k in revenue, \$650 - \$750k in revenue, and \$850k - \$950k in revenue, each of which typically coincide with common advisory firm stress points of adding a firm’s first administrative staff, first professional staff, and additional staff support.

- Almost all stress management strategies considered in this study were associated with higher self-reported life satisfaction, physical health, and mental health. Non-business related socializing, engaging in art and music, and other hobbies (a broad category used to capture hobbies unique to an individual) were most strongly correlated with life satisfaction, physical health, and mental health, particularly when they were engaged in on a regular ongoing basis.

About the Author

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Introduction

Working as a financial advisor is generally perceived as a meaningful and rewarding career. Looking at objective criteria of advisor wellbeing—such as salary, hours worked, etc.—financial advising generally stacks up as a well-paying professional occupation that provides a great deal of lifestyle freedom and flexibility. For instance, past Kitces Research studies have found that financial planners earn an average of over \$230,000 per year (2019) despite working only an average of 43 hours per week. However, while data do exist to confirm that financial advising can be a lucrative profession (at least among those who succeed!), far less is known about more subjective forms of advisor wellbeing.

The PERMA model of wellbeing, developed by Martin Seligman, suggests that there are five broad areas relevant to wellbeing:

- Positive emotion
- Engagement
- Relationships
- Meaning
- Accomplishments

The PERMA model has had a strong influence on the field of positive psychology, which emerged in response to a perception that psychology had become too focused on negative elements of psychological wellbeing (e.g., various mental illnesses, maladaptive behavior, etc.), and not enough study on factors that contribute to human flourishing and wellbeing.

In 2020, we conducted a Kitces Research Study on advisor wellbeing to try and empirically evaluate the state of wellbeing among financial advisors.

Participation in our study was strong. Over 650 participants provided detailed information about themselves, their practice, and various measures related to their wellbeing.

We present the results of our Advisor Wellbeing study in this issue of The Kitces Report, including how advisors are doing on wellbeing overall (versus population norms), how various advisor factors (e.g., pay, designations, practice type, team structure, etc.)

are related to wellbeing, where we see an advisor revenue “sweet spot” in wellbeing, what factors are currently driving advisor dissatisfaction, and what practices (e.g., meditation, exercise, etc.) are associated with higher levels of wellbeing among advisors.

Participants In The Kitces Research Advisor Wellbeing Study

Given how Kitces.com is specifically focused on comprehensive financial planning strategies (and those who provide them to clients), our sample of close to 650 advisors who read Kitces.com are not necessarily representative of everyone who holds out as a “financial advisor”.

Instead, our more-financial-planning-centric sample average advisor was slightly younger than the overall industry average (at 49.5 years old). In addition, the participants in this study not surprisingly included a greater proportion of CFPs than the advisory industry as a whole (70% held the CFP designation, compared to only about 26% of all “financial advisors”), and was more RIA-centric than the overall advisory industry (67% indicated that “RIA” best described their channel within the industry).

On the other hand, most other demographic characteristics of our advisor sample were consistent with the advisory industry as a whole. Respondents were predominantly male (71%, which is consistent with CFP Board’s demographics that only 23% of CFP certificants are female, although the proportion of female respondents was up from prior Kitces Research studies), and predominantly white (93%). Other racial/ethnic categories represented included Asian (2%), Hispanic (1%), Black (1%), other (1%), and prefer not to say (2%).

Nonetheless, it’s important to recognize that our sample likely varies from the industry in other ways that are hard to capture in summary demographics. Most notably, our survey was drawn primarily from the Kitces.com and Nerd’s Eye View readership. As was the case with previous studies, we hope our readership won’t take offense to us noting that our readers can be a bit “different” than your average financial advisor. Not everyone enjoys reading several-thousand-word posts on recent tax changes, so those of you who continually

frequent our site are not necessarily the norm among advisors in the industry.

Still, though, we believe this survey can provide very useful insight into the wellbeing of financial advisors, particularly among those deeply care about their duties of loyalty and competence to clients, invest themselves heavily into clients and their goals (and the emotional stress that can come from being so attached to clients), and self-select into the types of roles that are reflective of the direction the industry is headed.

Therefore, though our survey may not be perfectly representative of the broader financial services industry, we do believe that it is representative of the types of advisors at the forefront financial planning profession. And by virtue of the fact that you (a reader of our content) may share commonalities with our readership as a whole (e.g., a deep commitment of doing what’s right for clients by investing in your own professional competence), the insights from this survey should certainly be useful for you.

Overall State of Advisor Wellbeing

In this Kitces Research study, we measured advisor wellbeing using a set of survey questions (i.e., a “scale”) referred to as the “Comprehensive Inventory of Thriving” (CIT). The scale was developed by Su, Tay, and Diener (2014) and originally published in the journal *Applied Psychology: Health and Wellbeing*.

We chose this scale because we wanted to use a measure that had some actual academic validation and rigor to it.

The scale is intended to give a holistic view of one’s wellbeing. The full scale includes 7 higher-level wellbeing constructs (relationship, engagement, mastery, autonomy, meaning, optimism, and subjective wellbeing), as well as 18 different subscales of particular dimensions of wellbeing. We use shorthand descriptors for these subscales throughout this newsletter (e.g.,

“support”). Since those can be somewhat ambiguous, we provide a brief description below of broadly what each subscale is trying to get at:

Relationship

- Support: The support one has from other people.
- Community: How involved one is in their local community.
- Trust: How much one trusts others (particularly those close to them).
- Respect: How much one is respected.
- Loneliness: How lonely one feels.
- Belonging: The sense of belonging one feels.

Engagement

- Engagement: How engaged one feels in their activities and work.

Mastery

- Skills: How often one can use their skills.
- Learning: How often one learns new things.
- Accomplishment: How one is progressing toward accomplishing their goals.
- Self-Efficacy: How capable one feels at succeeding at task they put their mind to.
- Self-Worth: One’s feelings of self-worth.

Autonomy

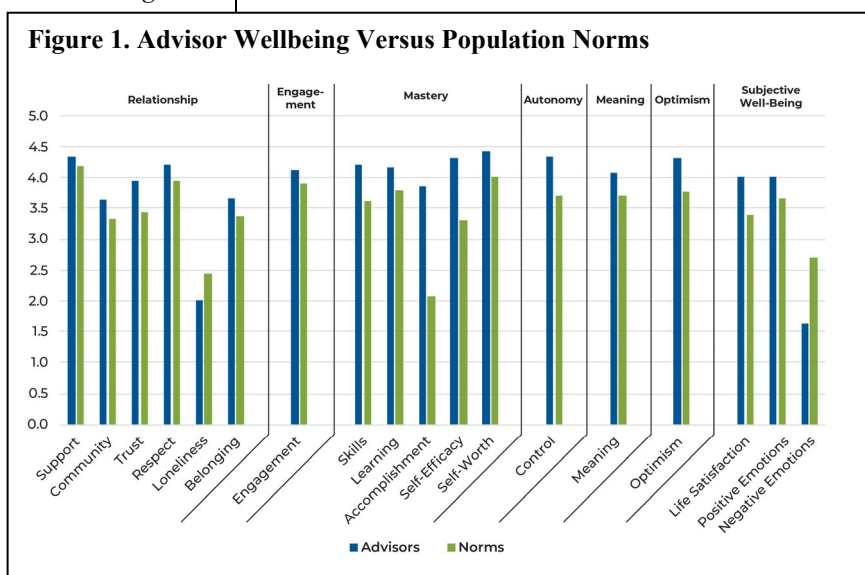
- Control: How in control one is of their life decisions.

Meaning

- Meaning and Purpose: One’s sense of meaning and purpose in life.

Optimism

- Optimism: How optimistic one is.



Subjective Wellbeing

- Life Satisfaction: How satisfied one is with their life.
- Positive Feelings: One’s tendency to feel positive emotions.
- Negative Feelings: One’s tendency to feel negative emotions.

Within this framework, overall advisor wellbeing measured very high. Compared to population norms, advisors rated higher on all positive elements of wellbeing measured (support, community, trust, respect, belonging, engagement, skills, learning, accomplishment, self-efficacy, self-worth, control, meaning, optimism, life satisfaction, and positive emotion), as well as lower on negative elements of wellbeing (loneliness and negative emotion).

Relative to population norms, advisors rank particularly high on accomplishment and self-efficacy.

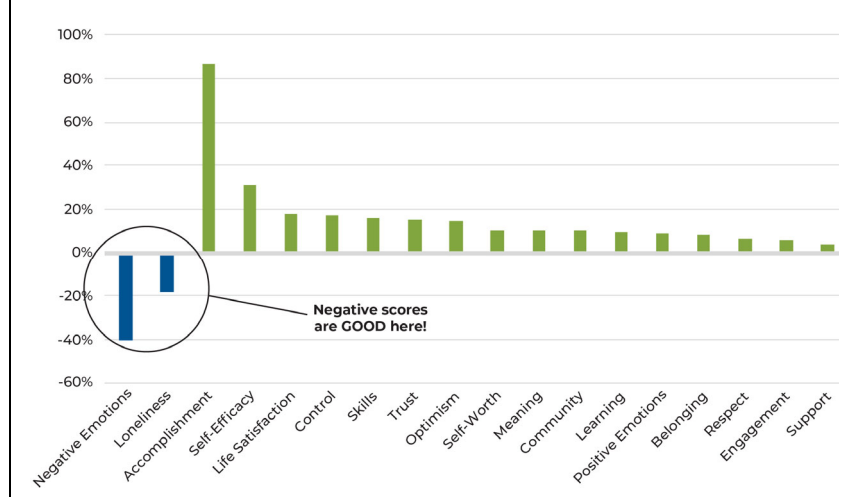
Accomplishment was comprised of the following items:

1. I am achieving most of my goals
2. I am fulfilling my ambitions
3. I am on track to reach my dreams

Measuring high on these items suggest that, compared to Americans broadly, advisors are feeling good about achieving and making progress toward their goals.

Self-efficacy is a psychological concept originally put forward by Albert Bandura. Self-efficacy is roughly akin to one’s beliefs in themselves.

Figure 2. Wellbeing Of Advisors Versus General Population Norms



The Advantages and Disadvantages of Empathy

Empathy for others is generally considered to be a good thing, particularly amongst financial advisors who must build relationship rapport with clients. And, in the right context, it is. However, there’s some nuance to understanding empathy.

Psychologists distinguish between cognitive empathy (i.e., being able to put yourself in one’s shoes) and affective empathy (i.e., the ability to understand and appropriately respond to one’s emotions, often presumed to be based on an ability to “feel” another’s emotions). One challenge with affective empathy is that emotional contagion (i.e., the feeling of another’s emotions) can actually be taxing on a professional, leading to burnout and lower wellbeing.

In a financial advising context, it may therefore be the case that advisors need to have high cognitive empathy (so that they can understand and communicate effectively with clients), but may actually benefit from lower degrees of affective empathy so that client emotions do not become personally overwhelming. Prior Kitces Research has found that advisors score significantly lower than the general population on neuroticism (those more likely to be moody and experience negative emotions like anxiety, worry, and fear), which has also been found to be strongly associated with negative forms of affective empathy (i.e., personal anxiety resulting from observing others’ negative experiences; see Song & Shi, 2017 in *PLoS ONE*). These general personality dispositions may therefore contribute to why financial advisors scored especially *low* (in a favorable manner) on the wellbeing measure of Negative Emotion, despite participating in this survey during a tumultuous time in the market that left many clients feeling highly uneasy about their prospects given the COVID-19 pandemic.

Self-efficacy was comprised of the following items:

1. I can succeed if I put my mind to it
2. I am confident that I can deal with unexpected events
3. I believe that I am capable in most things

The combination of both high accomplishment and self-efficacy is notable, given that financial planners—as people who are focused on helping clients set and achieve financial goals—not only assist in that process, but also seem to be people who are very focused on setting and achieving goals themselves. This may suggest that planners don’t just go into financial planning to help clients achieve their goals. Instead, planners may be highly-self-efficacious goal-achievers who simply like to help other people set and achieve goals the way they themselves set and achieve goals!

Consistent with findings noted above, we again see particularly large differences in accomplishment (more), self-efficacy (more), and negative emotion (less), but we can also see that for the remaining categories advisors ranged from about 18% higher (life satisfaction) to 4% higher (support).

Overall, the state of wellbeing among advisors is *very* positive. One caveat to note with respect to a professional like financial advising, however, is that there may be a strong survivorship bias. Those who succeed (and stick around to take surveys like ours) do achieve a high-level of success, but there are a lot of people that don’t succeed. Merely pursuing a career in financial advising is not necessarily going to lead to wellbeing (and it’s possible and even likely that those who *fail* in their pursuit are not experiencing the same level of wellbeing). Nonetheless, the state of advisor wellbeing does look very positive for those financial advisors who do at least achieve enough success to still be around to participate in studies on the topic!

On the other hand, while we can’t (yet) speak to causation with our studies, relationships that we do observe could be suggestive of the types of advisor characteristics that help lead to being a “survivor” within the advisory industry in the first place. For instance, while low negative emotion is likely

partially a reflection of the good life outcomes among successful advisors, it is likely also true that low feelings of negative emotion are also a factor that contribute to success. Ultimately, all advisors with business development responsibilities need to be able to deal with rejection and “failure”. Personality-type dispositions to not be overwhelmed or overresponsive to negative emotion likely help promote success among advisors in the first place.

Additionally, it is worth noting that objective measures of wellbeing are good for advisors as well. For instance, advisors in this particular study reported a median income of \$192,000 and a mean of \$325,000. 10% of advisors reported earning \$750,000 or more. In some respects, it is not surprising that wellbeing is so strong among advisors. Though as we’ll see later, there’s some nuance to relationships between factors such as income and advisor wellbeing.

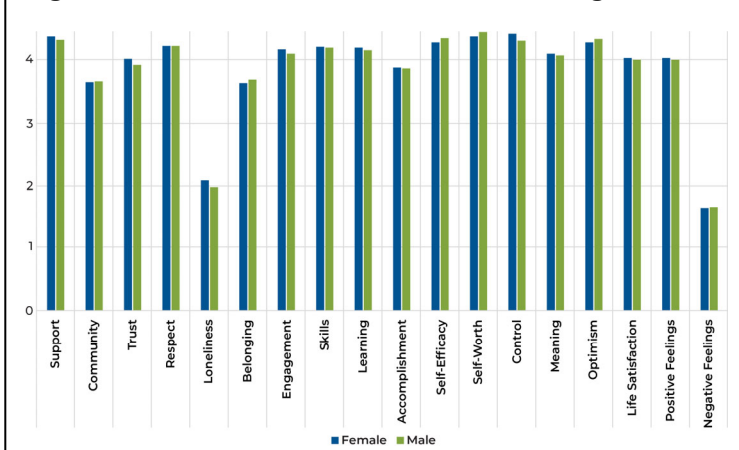
Factors Associated With Advisor Wellbeing (Or Illbeing)

While wellbeing is very high among advisors as a whole, we can still look at various segments of advisors to see where wellbeing may be higher (or lower) than others. As in practice, not all segments of advisors are the same when it comes to wellbeing!

Advisor Demographics

Prior Kitces Research studies have noted a number of gender differences among advisors. However, with

Figure 3. Gender Differences in Advisor Wellbeing

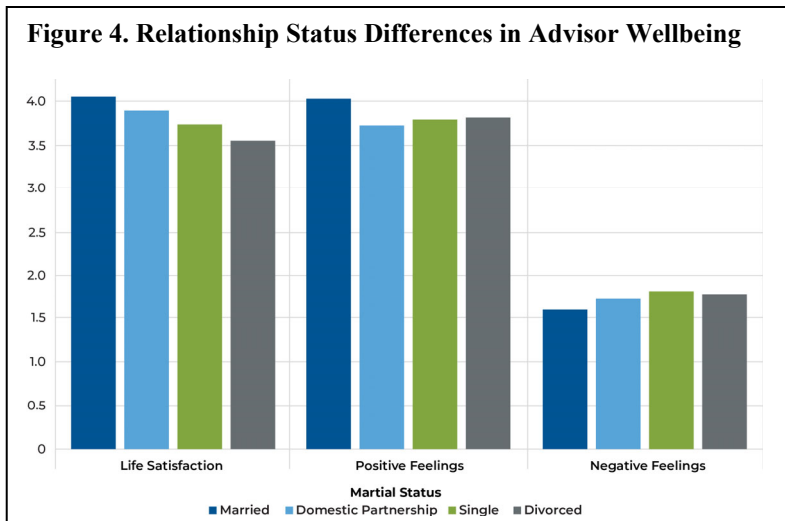


respect to advisor wellbeing, we see almost no gender differences (at least statistically significant differences) in any category of financial advisor wellbeing.

However, one area where we do see some differences in wellbeing is marital status. In particular, we tend to see highest levels of wellbeing among married advisors, followed by advisors in domestic partnerships, with lower levels (at least on average) of wellbeing among advisors that are single and the lowest amongst those who are divorced. While the differences are mostly relatively minor

(and even divorced financial advisors tend to report higher levels of wellbeing in comparison to the general public), marital status is still a relevant factor for wellbeing and especially life satisfaction amongst financial advisors.

Furthermore, a few interesting differences are further revealed when we look at marriage and gender jointly. For instance, again looking at life satisfaction, we see that the previously mentioned differences themselves differ *by* gender. Whereas married men and women report relatively similar levels of life satisfaction, being divorced is associated with lower life satisfaction for men than for women, and being single is associated with lower life satisfaction for women but not for men. In other words, the lower life satisfaction among divorced advisors is primarily driven by men, whereas the lower life satisfaction among single advisors is primarily driven by women.



Advisor Characteristics

CFP Designation Status

Moving past demographics and looking at more advisory-relevant factors, we see a few small differences between CFP professionals and non-CFP professionals (particularly those who don't have and don't intend to pursue the CFP marks) with respect to wellbeing.

As in addition to asking advisors about the CFP status (as we have done in previous studies), one new question we asked in this study was about advisor intentions to pursue the CFP designation in the future. Specifically, participants told us whether they are currently a CFP professional (70% of respondents), and, if not, whether they intend to pursue the designation at some point in the future (5%), have no intention to pursue the designation (16%), or are currently pursuing the designation (8%).

Using this approach to breakdown CFP status, Figure 6 (next page) compares current CFP professionals versus those who are not and have no intention to pursue the designation (this is where the biggest gaps between advisors were observed). Generally speaking, CFP professionals report higher levels of

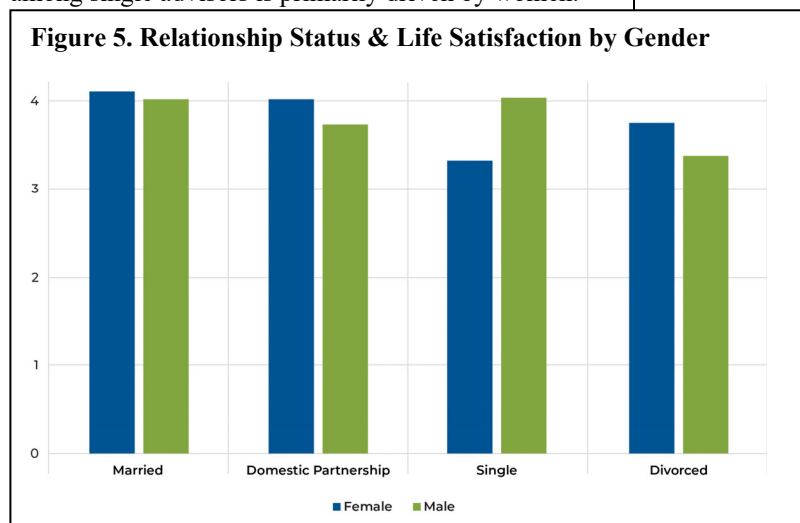
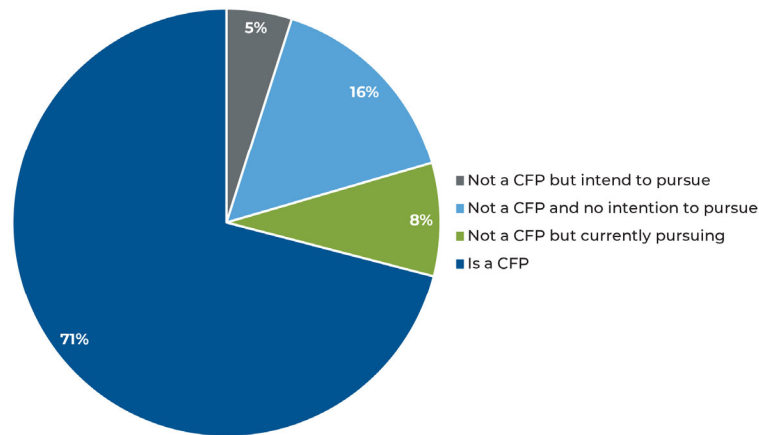


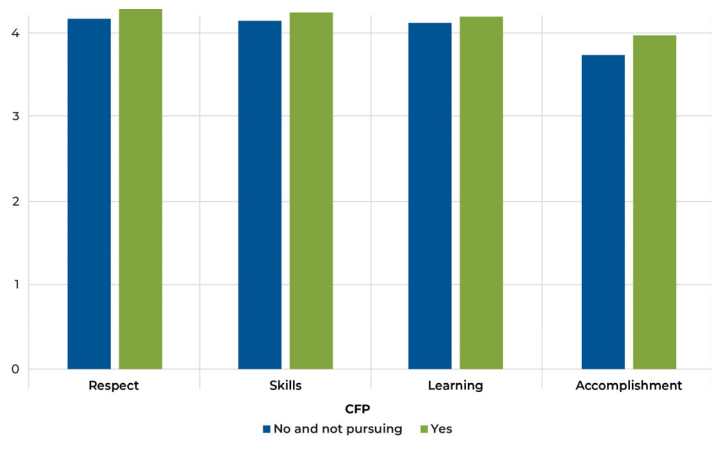
Figure 6. Respondent CFP Status Categories



wellbeing across all dimensions analyzed in this study, although the differences are fairly small.

Some notable differences observed were in the areas of skills, accomplishment, learning, and respect, all of which CFP professionals exhibited higher-levels of wellbeing that non-CFP professionals without intentions to pursue the designation. In other words, CFP professionals seem to be more confident in their skills and learning, and value the respect that comes from accomplishment (which may itself help to explain their decision to pursue the CFP marks in the first place). Interestingly, differences were not observed with respect to self-efficacy (i.e., the ability to accomplish the goals one sets out to), yet, it is worth considering whether CFP professionals may actually have some subtle advantages in accomplishing their goals given their greater levels of wellbeing such as accomplishment and self-worth that

Figure 7. Advisor Wellbeing by CFP Status



could result in higher confidence that does lead to more success, even if in subtle ways that are hard to identify.

Advisor Compensation Model And Income

Advisors participating in our study also provided detailed information about their revenue and income, including not only total levels of revenue and income, but also how they get paid (both from their clients and how they get paid by the firms they work for).

We asked advisors to indicate which of the following best described their compensation:

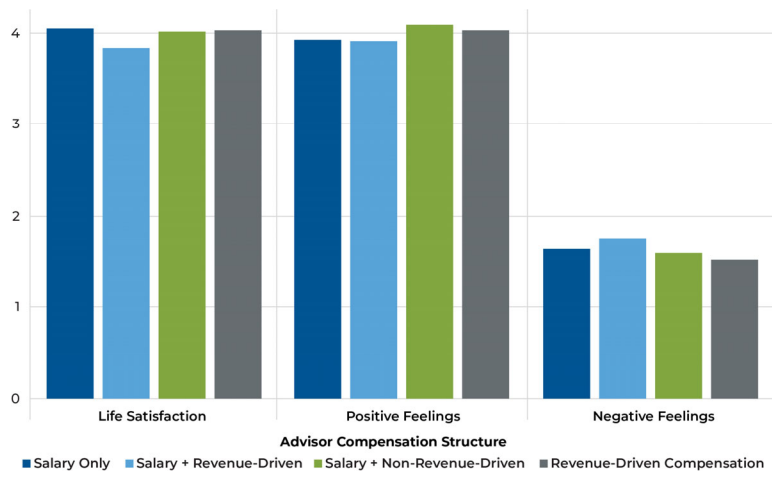
- Salary only
- Salary + revenue-driven bonus
- Salary + non-revenue-driven bonus (e.g., individual or firm goals)
- Salary as a draw against future production
- Revenue-driven compensation (e.g., % of revenue, firm owner, etc.)
- Other

While we don't report all categories in Figure 8 (next page), as in practice some categories among advisory firms today are far less popular than others, we do see some differences in advisor wellbeing based on how advisors are paid.

Overall, we see the lowest levels of wellbeing among advisors who are paid a salary plus a non-revenue driven bonus (e.g., based on individual or firm goals). Notably, though, this appears to primarily be driven by advisors within this compensation arrangement who are serving as lead advisors (and may be comparing their compensation to lead advisors at other firms that utilize more-common revenue-based compensation models).

Furthermore, it is notable that salary plus non-revenue driven bonus advisors were generally lower across most measures of wellbeing, which further reinforces that advisors in a

Figure 8. Advisor Wellbeing by Pay Type



lead position managing client relationships but “stuck” on salary are not happy and would like to have more connection between their income and revenue production. At the same time, however, we see much of the gap in wellbeing between advisors with revenue-driven pay goes away among advisors that are paid a salary with a revenue-driven bonus. This is notable, as it suggests that firms may not need to go to a full revenue-based compensation method to keep advisors happy (and presumably retain them).

On the other hand, the ongoing evolution of financial advisor compensation models may also be increasingly the diversity among advisors with respect to what type of compensation is preferable. After all, advisors who were successful in the past were largely successful in an environment where they were paid purely as a percentage of the revenue they produced (in one way or another—say, roughly 40% - 50% of revenue in a traditional wirehouse, or 80% to 90% of revenue at an independent broker-dealer). But such “eat what you kill” models were, by their nature, high-risk high-reward models (with a very high attrition rate for newer advisors who were not successful in attracting their own clients from scratch).

More recently, though, we’ve seen a rise in the number of salary plus revenue-driven bonus positions (e.g., \$100k + 20% of revenue), often tied to advisory firms that help to generate new clients *for* their advisors (where the advisor’s role is more associated with relationship management than business development), which may be more attractive to

individuals with a different lower-risk lower-reward psychological profile (who prefer more of a ‘guarantee’ in the form of salary and are more willing to give up some upside).

Which means it is quite possible that both groups of advisors can coexist in the industry, while also not necessarily being equally satisfied with each arrangement. In other words, advisors in purely revenue-driven positions (or salary plus revenue-driven bonus) may have selected into those positions because they like that arrangement, but it is not necessarily the case that they

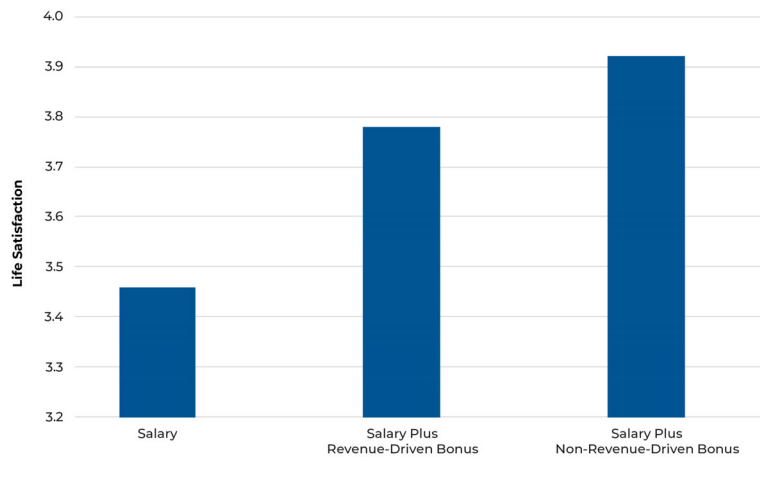
would be happy with the alternative arrangement. Or it may be that secondary friction is occurring where advisors who are more suited to one type of model have unwittingly found themselves in a career path that pays the other, and the optimal outcome is not for the advisory firm to change its compensation model, but for the advisor to change firms to one that better fits their own risk/reward career preferences.

In turn, while the number of advisors in associate or support roles is relatively limited and we caution against drawing too strong of inferences from our data on advisors within this segment as a result, we do note that although life satisfaction was lowest among advisors with salary and non-revenue-driven bonus as a whole, this category was actually associated with the *highest* level of life satisfaction among associate advisors.

It is again notable again that advisors seem to be highly goal-driven individuals. Pure salary (even as support advisors) does not seem to be a preferred compensation method, likely because it doesn’t give advisors an opportunity to put their self-efficacy to use and feel a sense of accomplishment (and financial reward) for doing so.

Yet it is also notable that support advisors do not seem to like revenue-driven bonuses when they’re not in a position to drive revenue (i.e., not in a position to drive new business development). This makes sense, as it is hard to be motivated by something that is mostly out of your hands, and this could even lead to frustration given a disconnect between support advisor performance and

Figure 9. Life Satisfaction Among Associate Advisors by Pay Type



lead advisor performance (e.g., a support advisor might be doing phenomenal yet see their income go down because a lead advisor was lagging in revenue production).

Accordingly, then, one key takeaway from this study is that support advisors should likely receive non-revenue driven bonuses (based on other metrics that are under their control and more likely to engage an advisor’s desire for accomplishment and expression of their self-efficacy), but then advisor compensation needs to transition *to* being more revenue-driven (at least a portion of it) as revenue production becomes a key function of an advisor’s responsibilities.

Advisor Team and Firm Structure

We also observed some differences in advisor wellbeing by team structure. We classify advisors based on the following categories:

- Solo Advisor: One owner-advisor with no support staff
- Solo Advisor with Support Staff: One owner-advisor with some support staff.
- Silo Advisor: Multiple advisors or teams of

advisors with shared resources and/or shared support, but those advisors/teams maintain their own book of clients and their own profits.

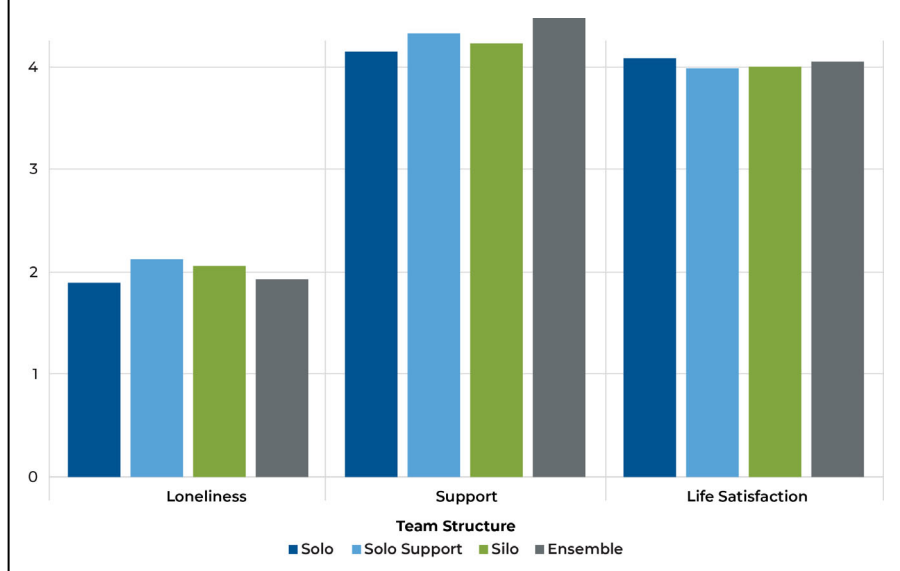
- Ensemble Advisor: Multiple advisors/teams that deliver services in a consistent manner and pool all resources and profits.

Two of the areas we see the largest differences in are support, and loneliness. Recall that support in this context refers to support one has from others. Not surprisingly, advisors working within capacities that have less embedded team support (e.g., solo advisors and silo advisors) had lower

levels of support, whereas solo advisors with support staff and ensemble advisors had higher levels of support.

Interestingly, however, with respect to loneliness, it is actually solo advisors with support staff who report the *highest* levels of loneliness, and solo advisors who report the *lowest* levels of loneliness. While we can only speculate as to what is going on here, this might be a reflection of loneliness that is experienced with respect to professional colleagues. Whereas ensemble advisors have peer colleagues within their office who work in similar roles (and therefore may be more relatable to an advisor than trying to connect with, say, support staff),

Figure 10. Team Structure on Loneliness, Support, and Life Satisfaction



solo advisors with support staff may actually feel somewhat out of place within their own office—at least in terms of social connection and camaraderie with other staff (as it’s difficult to be a friend and colleague with someone who also reports to you as their manager!).

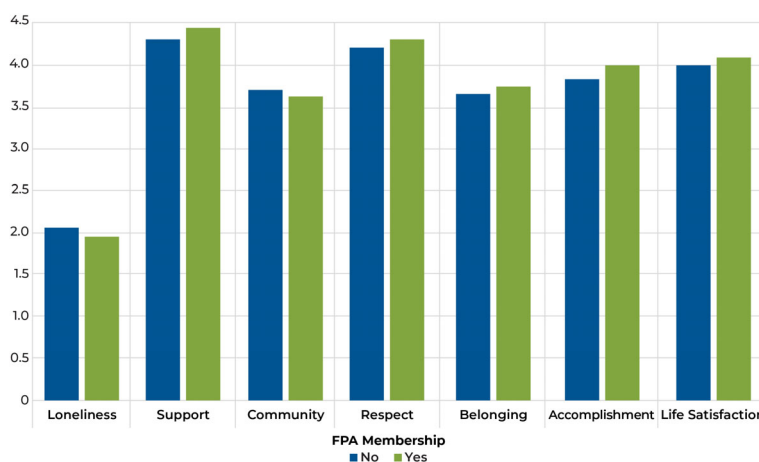
The idea that solo advisors may feel lonely but seek out support, while those with support staff have more social relationships at work but not necessarily fulfilling ones, is further corroborated by the fact that solo advisors have much higher rates of membership in outside organizations (e.g., NAPFA and XYPN) than those who also have support staff. Whereas 43% of solo advisors within our sample are also NAPFA members, only 16% of solo advisors with support staff belong the NAPFA. Likewise, 24% of solo advisors reported membership in XYPN, versus only 5% of solo advisors with support staff.

Which suggest that one key takeaway for solo advisors with support staff (or any others) who are perhaps feeling a bit lonely is to gain a community professional colleagues via various industry organizations.

We see similar differences when looking at advisor wellbeing by FPA membership. For instance, advisors who belong to FPA report higher levels of support and belonging with lower levels of loneliness. Furthermore, these differences largely extend across all wellbeing measures, with FPA members reporting, among others, higher levels of life satisfaction, respect, and accomplishment. Notably, the one area FPA members rated lower on was community. While this may seem to contrast with previously mentioned findings regarding belonging and loneliness, recall that “community” in this context is specifically looking at community in more of a local context, so a broader industry community would not be captured with these questions.

Another area we see some, albeit small, differences in advisor wellbeing is across different types of advisor employment/owner status.

Figure 11. Advisor Wellbeing by FPA Membership

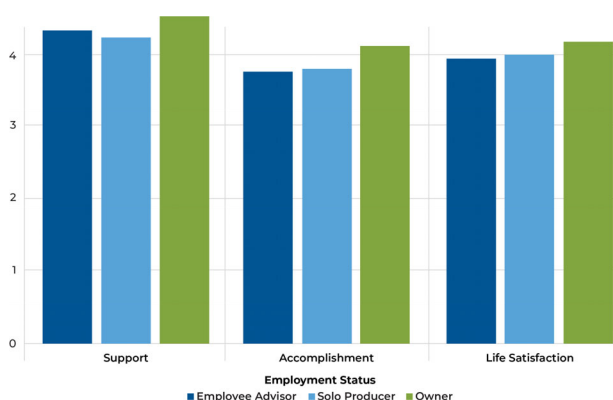


Generally speaking, we see the highest levels of satisfaction among advisory firm owners (versus employees). The only exceptions were in learning and engagement, in which wellbeing was relatively flat across each category. Some of the largest differences were seen in the areas of support and accomplishment.

In turn, we find overall that employee advisors tend to rank lowest in most measures of wellbeing. Of course, many employee advisors may be just starting out in the business, and may not have the experience yet needed to bring some of the other benefits that result in higher life satisfaction (e.g., higher income). Relatedly, we do see that employee advisors with no lead advisor experience are significantly less satisfied than employee advisors with lead advisor experience.

Notably, we do see some differences when we further segment by channel (RIA, BD, or hybrid) and limit respondents to only those with 5 or more years of lead

Figure 12. Wellbeing Metrics by Employment Status

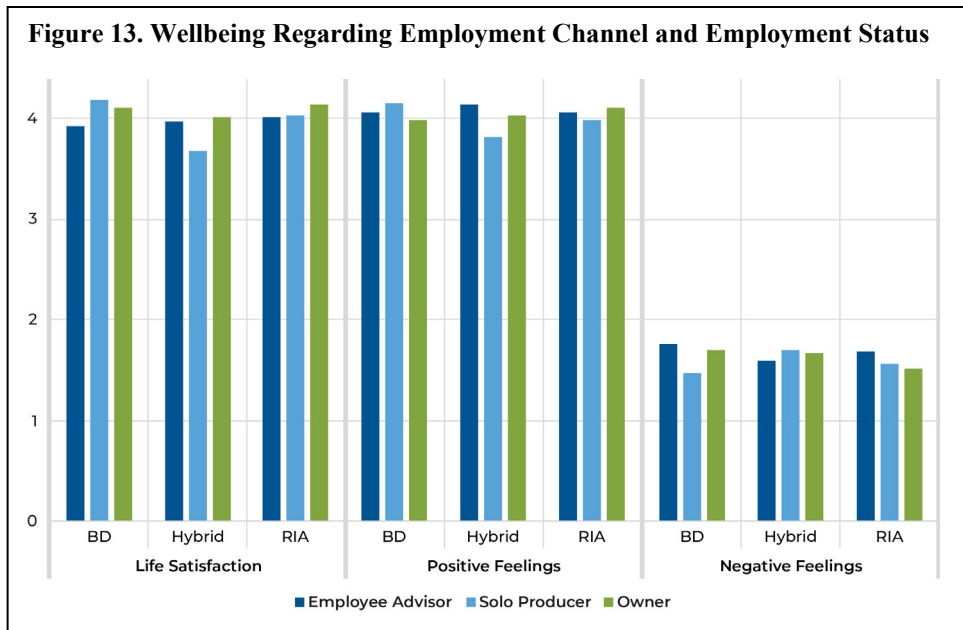


advisor experience. For instance, life satisfaction is highest among solo producers in the BD channel but highest among owners in the RIA channel, and this general pattern holds among other wellbeing measures as well.

Advisor Experience And Client Focus

Interestingly, we also see a u-shaped pattern with respect to owner satisfaction across lead advisor experience

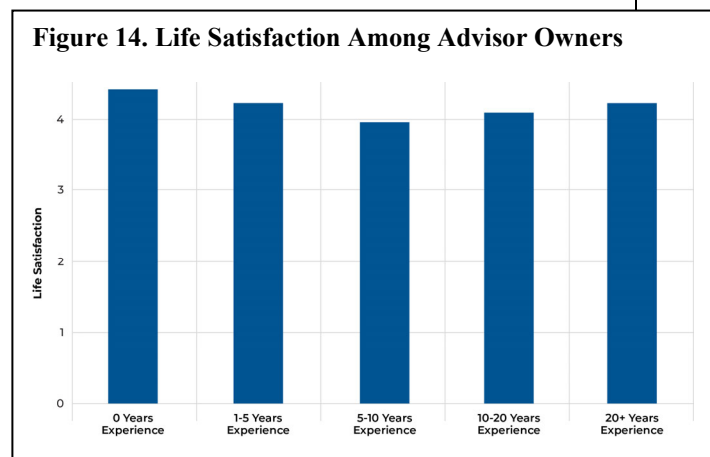
categories. Owner satisfaction is actually highest among advisors with 0 years of lead advisor experience (note: there are a very small number of advisors in this particularly category, so interpret cautiously, but not a surprising result given that a lot of new lead advisors choose to pursue the role as a promotion or new venture *from* a prior role, where wellbeing would feel improved if only relative to their prior situation). However, we see owner satisfaction decreasing among advisors with up to 10 years of experience, only to then begin to increase among advisors with 10-20 years of lead advisor experience, and then increases further among advisors with more than 20 years of lead advisor experience. This may be indicative of some growing pains that advisors may



face as a practice gets larger, a topic we will explore in further depth in coming sections.

In many cases, there was also a slightly negative relationship between advisor wellbeing and hours worked. This pattern was perhaps clearest among (lower) life satisfaction, (lower) positive emotion, and (higher) negative emotion amongst those who worked more hours.

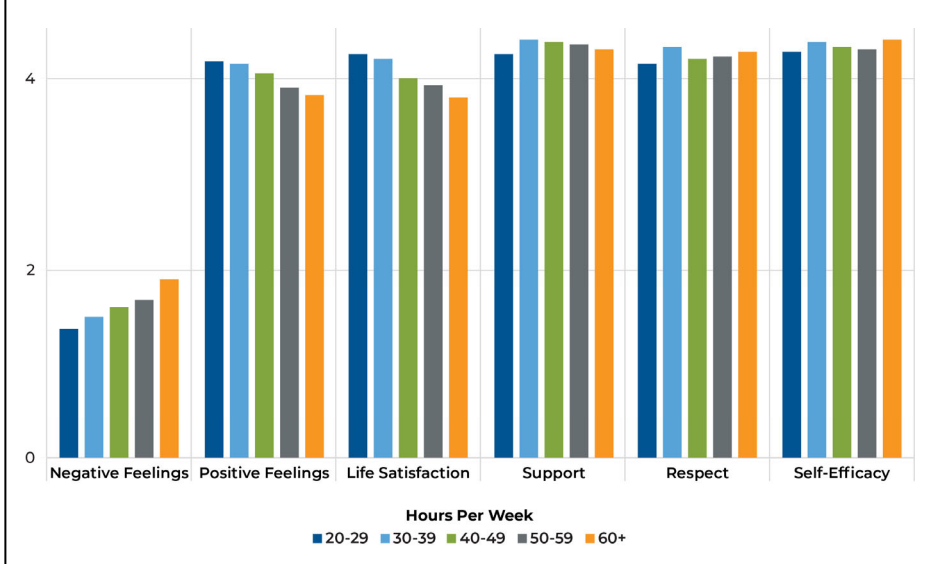
Figure 15 (next page) breaks advisors into groups of 20-29 hours, 30 to 39 hours, 40 to 49 hours, 50 to 59 hours, and 60 plus hours per week. Advisors working 20-29 hours per week generally had highest levels of wellbeing whereas advisors working 60 plus hours per week generally had the lowest wellbeing.



There were some exceptions, however. In areas like support, respect, and self-efficacy, advisors who worked more hours did report higher levels of wellbeing within some categories.

Advisors also varied in their wellbeing with respect to how they were paid by clients for their professional services. Generally speaking, being paid primarily by commission was associated with lower levels of wellbeing across several measures. For instance, advisors paid primarily by commission ranked lowest in support, trust, skills, accomplishment, meaning, and life satisfaction, as well as highest in loneliness and negative feelings.

Figure 15. Advisor Wellbeing by Hours Worked



categories. By contrast, advisors with the most concentrated niches were among the highest across many measures of advisor wellbeing.

There are likely a number of factors driving this. As we've already seen, advisors who work fewer hours tend to have higher satisfaction. One advantage of a really focused niche is that it allows advisors to concentrate their effort and be more efficient. All else being equal, if an advisor

Advisors who did not have a dominant form of client compensation (i.e., they were compensated in more than one way, by fees *and* commissions) had the highest levels of wellbeing across a number of metrics, suggesting that advisors may feel better by having a range of ways to work with a range of clients).

with 50 clients can serve those clients with less time and effort (because the niche focus allows for a repeatable expertise that makes service delivery more efficient), that is likely a driver of wellbeing. Moreover, if that concentrated niche also makes business development easier and referral quality better, then the focused niche will likely promote wellbeing over time across a number of dimensions.

On the other hand, differences in advisor wellbeing were also observed by advisor niche status. Figure 17 (next page) categorizes advisors into five different categories based on the depth of the advisor's niche:

With respect to the number clients that an advisor is responsible for serving as a lead advisor for, we generally see an upside-down u-shaped pattern between wellbeing and clients served. Not surprisingly, those advisors with no clients (likely operating in some sort of

- No niche
- Niche, but less than 25% of clients within niche
- Niche, with 26-50% of clients within niche
- Niche, with 51-75% of clients within niche
- Niche, with 76% or more of clients within niche

Within this niche categorization framework, advisors without a niche ranked near the bottom for a number of wellbeing

Figure 16. Wellbeing by Compensation Type

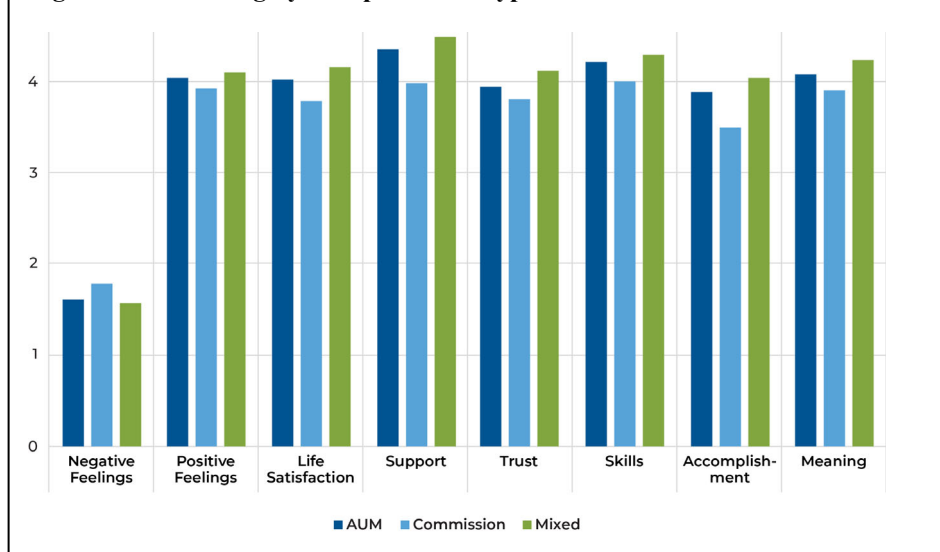
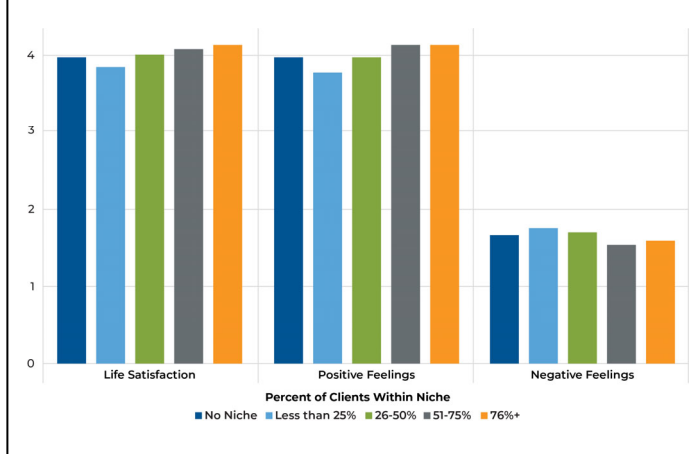


Figure 17. Advisor Wellbeing by Niche



support role) or few clients tend to have lower levels of wellbeing. Notably, whereas overall about 89% of respondents in our study were lead advisors, only about 16% of individuals within the lowest client responsibility group were lead advisors (and, ostensibly these 16% would be very early in their career and likely also serving some sort of support capacity). As number advisors increase, a number of metrics peak at the 101-150 client level (and a few at the 151-250 client level), and then drop off among advisors with higher numbers of clients.

We also see a few notable relationships when further segmenting advisor wellbeing by number of clients and team structure. For instance, advisors who are solos have significantly lower wellbeing while they're

still accumulating clients, but advisors in ensembles have drastically higher wellbeing in the early stages of accumulating clients. This is consistent with the notion that there are different risk/reward dynamics of starting a solo practice from scratch, and the psychological stress of starting from zero (or alternatively, the psychological comfort of having a base salary as a financial foundation when getting started).

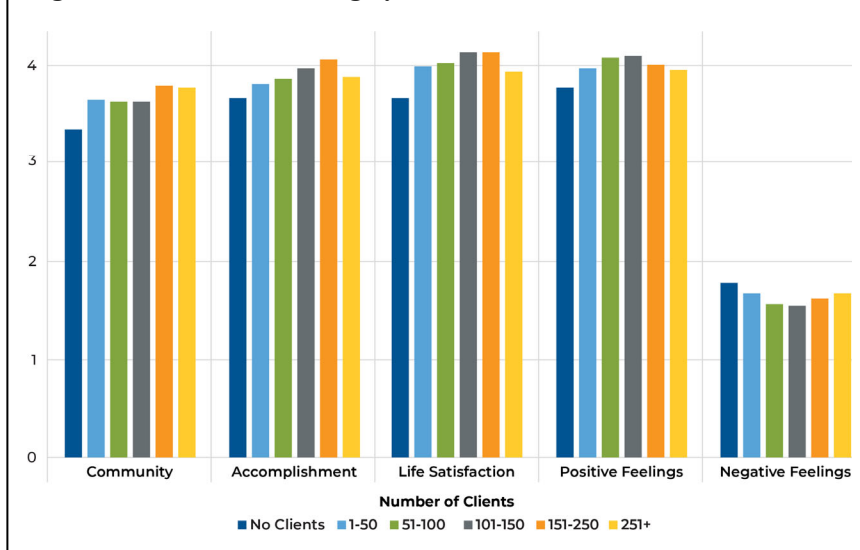
Additionally, in ensemble firms, there appears to be evidence of such a thing as “too many” clients, where advisor well-being dips as clients exceed 250. These findings have significant implications for large financial services firms trying to scale

their advisor/client ratios with technology to enhance productivity... as even if advisors can support more clients, they may not be happy doing so (ostensibly because it's too many relationships for the advisor to keep track of and feel a meaningful connection to?).

Furthermore, we also see that advisors with support staff do not necessarily see greater wellbeing with more clients beyond the first 100, ostensibly because the addition of more clients entails the addition of more staff that may relieve the client service burden but still adds to complexity. By contrast, advisors who continue to add clients as solos see ongoing increases in wellbeing, with the caveat that they appear to experience a relatively ‘hard cap’ on clients (as there are no advisors in that category that exceed 250 clients

without moving into the [lower-wellbeing] advisor-with-staff-support category).

Figure 18. Advisor Wellbeing by Number of Clients



Looking at wellbeing by years of lead advisor experience, we again see a general trend in which more experienced advisors have greater satisfaction. Advisors with no lead experience again stand out as significantly lower across a number of wellbeing dimensions. This isn't necessarily problematic, as wellbeing is still quite high among this group relative to the general population (e.g., average life satisfaction among the general population age 25 to 39 is 3.42

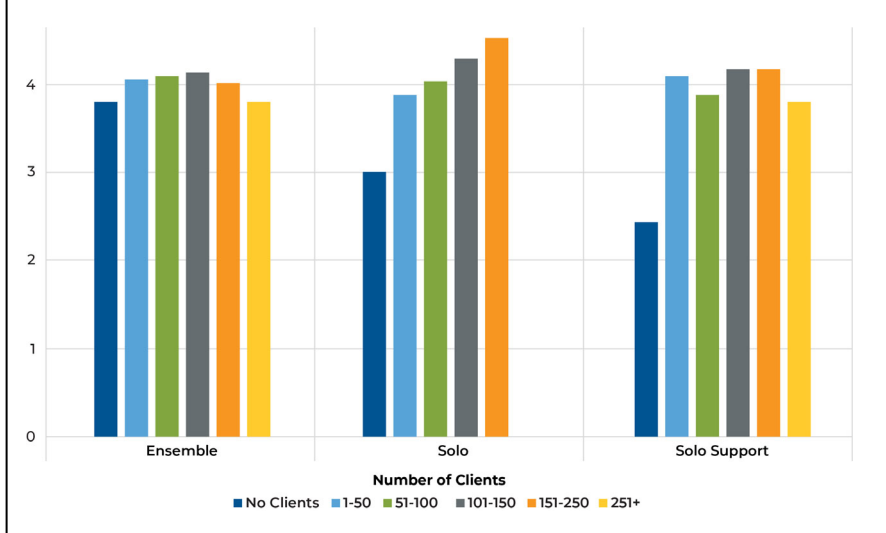
whereas life satisfaction among advisors with no lead advisor experience between ages 25 and 39 was 3.61), and presumably most advisors still in associate advisor roles still have an opportunity to gain experience and be promoted *into* a lead advisor role. Still, though, it may be worthwhile for advisory firms to acknowledge that junior staff in most firms probably aren't feeling as well off as more senior advisors.

Advisory Firm Lifecycle And Client Affluence

Advisor wellbeing also varied by where a firm was at in its lifecycle. For the purposes of this study, we categorize firms within one of five groups:

- Startup (operating substantially less than full-time given relatively few clients *to* serve yet)
- Growth-focused startup (devoting an unusually high amount of time and resources towards new client acquisition)
- Established with room to grow (business is profitable and near approaching capacity, but still has room to grow)
- Established and at capacity (business is profitable but at capacity, so future growth must come from replacing lower revenue

Figure 19. Wellbeing by Number of Clients and Advisor Teams

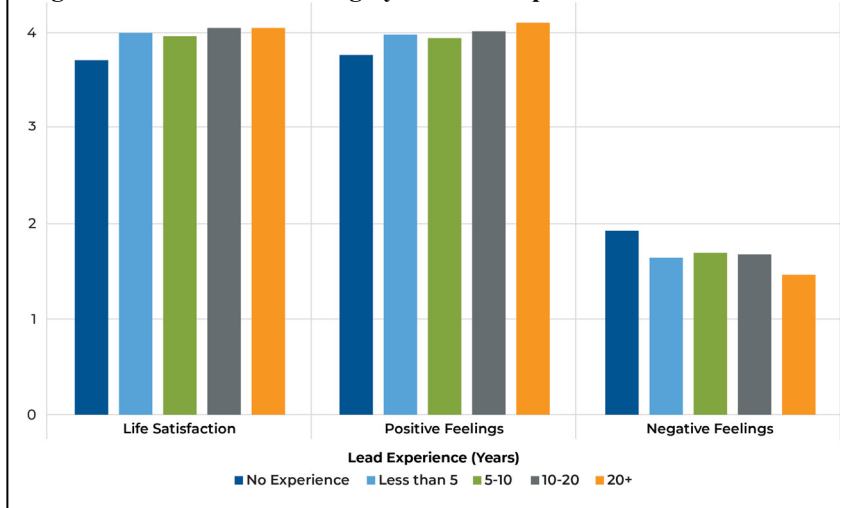


clients at current capacity or adding more team members to expand capacity)

- Mature and not actively marketing (may still accept new clients, but marketing is mostly passive)

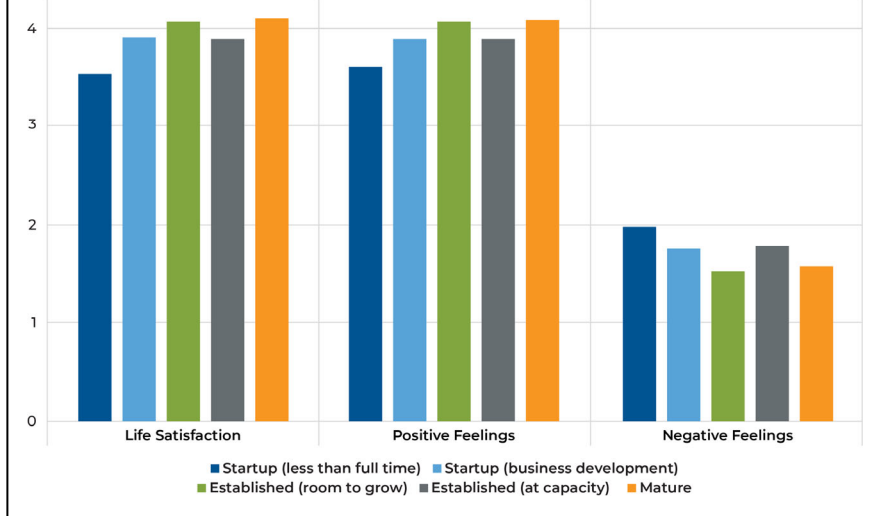
This represents a sort of lifecycle from the startup of the firm all the way to developing into a mature firm. Notably, we do not measure maturity in years, simply because (a) it is hard to define how old firms are when so many involve mergers and acquisitions of other firms, and (b) years do not necessarily reflect where a practice is at with respect to desired growth. Therefore, we let advisors classify based on their own perception of where they stand across this spectrum.

Figure 20. Advisor Wellbeing by Advisor Experience



Within these groupings, we generally see a sort of positive arc through the startup phases into “established with room to grow”. From that point on, we don’t actually see much improvement in wellbeing, and we actually see a noticeable decline in wellbeing once firms run into capacity issues. While this is not necessarily that surprising—as hitting capacity would be expected to bring about new strains on a business that need to be solved—it is also worth acknowledging that “progress” at this point may actually mean

Figure 21. Advisor Wellbeing by Stage in Business Lifecycle



valued among advisors, and we generally see a number of positive trends with increases in client income.

Notably, this suggests that the desire for advisors to move upmarket does not appear to be something they regret (i.e., we don't see that moving upmarket is uncorrelated with greater wellbeing). This even holds when we control for capacity, suggesting that having more affluent clients is associated with greater wellbeing regardless of whether advisors have less than

moving "back" by adding staff, or even cutting clients, to resolve a capacity constraint. With that in mind, it perhaps makes even more sense that we generally see the peak among established firms with room to grow, as this simply reflects a healthy place for a growing business to be. And, in the event that a firm decides they want to enter a "mature" stage and coast forward without really thinking about growth, we see that wellbeing is often at about the same level as it is for practices that are established with room to grow.

50 clients or more than 250 clients. Which in turn fits to the overall profile that financial advisors are goal-oriented problem solvers, who find satisfaction in helping others solve problems and achieve their goals... such that more affluent clients with more complex problems to solve are more fulfilling to work with and solve for.

Finally, we also see some variation in advisor wellbeing by client affluent (i.e., the average size of the client relationship). Not surprisingly, clients with more investible assets are generally more highly

However, there are some exceptions that are interesting. For instance, self-worth is actually highest among those serving clients with lower investible assets. This may be a reflection of the psychological value that some advisors may receive from helping those that they perceive as in more need of professional assistance than wealthier Americans. Notably, though, the advisors

Figure 22. Wellbeing by Clients Investible Assets



within this category of serving typical clients with investible assets with less than \$100k were much more likely than advisors to be strongly niched. 50% of advisors within this category reported having 76% or more of clients within their niche (versus only 16% of advisors with as strong of a niche across the full sample). In other words, not only are these advisors serving a lower-income demographic than most

advisors, but it appears they *want* to be serving this niche, and that likely helps explain stronger feelings of self-worth among these advisors.

The Revenue/Income Levels Where Advisors Experience The Highest Wellbeing

While money is not everything, it is consistently one of the factors that is most positively associated with wellbeing. Financial advising can also be a highly lucrative business for those who succeed in the business. Which makes it not entirely surprising that the financial advisory business is associated with such above-average levels of wellbeing.

Total advisor income at various percentiles include:

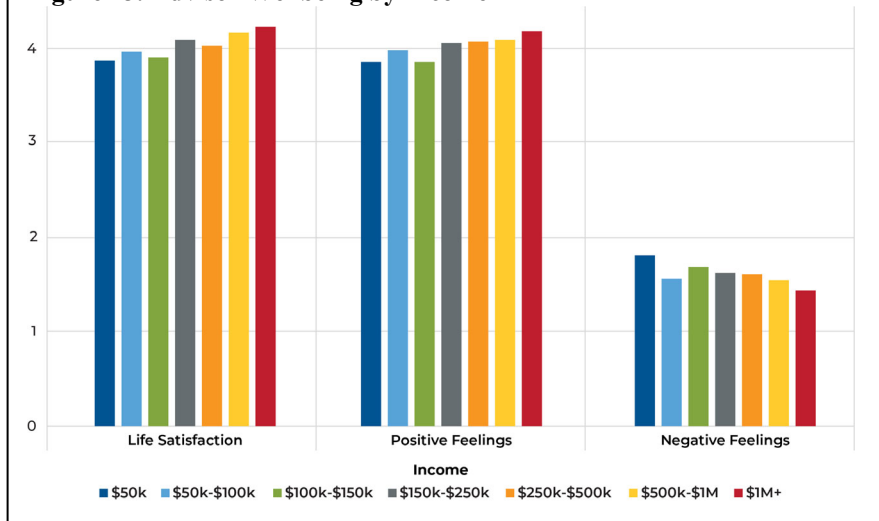
- 25th - \$95,000
- 50th - \$192,000
- 75th - \$397,000
- 90th - \$750,000

Even at the “low” end of the spectrum above, advisors were earning far more individually than the median household income in the US (roughly \$68,700 in 2019). So to say the least, advising is good work for those who can get it (and stick around long enough to succeed!).

We might wonder, though, are advisors earning \$750,000 reporting wellbeing higher than those “merely” earning \$192,000?

As it turns out, yes, advisor wellbeing continues to increase with income, and we really don’t see any leveling off among advisors within our study. Granted, the differences aren’t huge, but we don’t see leveling off (or even the decrease that is sometimes

Figure 23. Advisor Wellbeing by Income

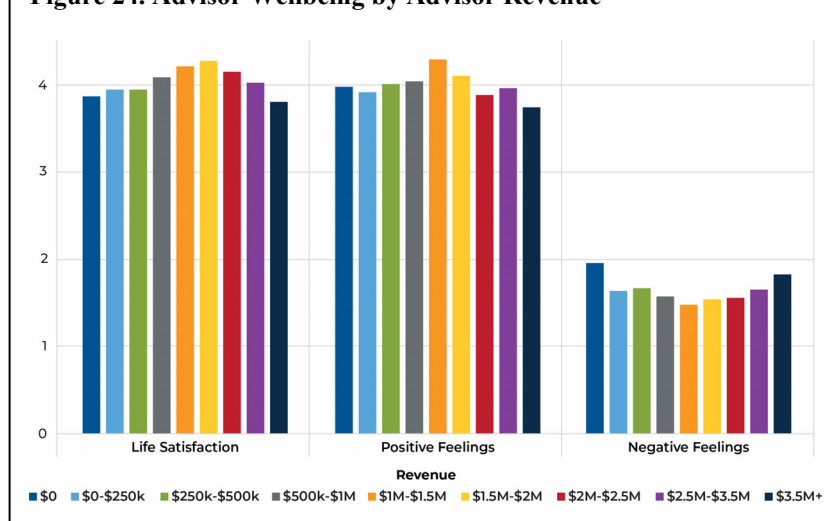


reported) between life satisfaction and income even as income reaches very high levels.

Interestingly, however, we see some slightly different trends when we look at revenue instead of income. Of course, at the end of the day, the goal is to convert revenue into income, but among the different paths that advisors could choose for growing their business, different levels of revenue may actually reflect different paths that advisors choose when they reach the personal capacity crossroads.

As Figure 24 indicates, we see fairly consistent peaks in wellbeing within the \$1-1.5 million and \$1.5-2 million

Figure 24. Advisor Wellbeing by Advisor Revenue



revenue categories. Beyond that point, we actually see fairly consistent declines in advisor wellbeing (and associated adverse rises in the negative feelings measures of wellbeing).

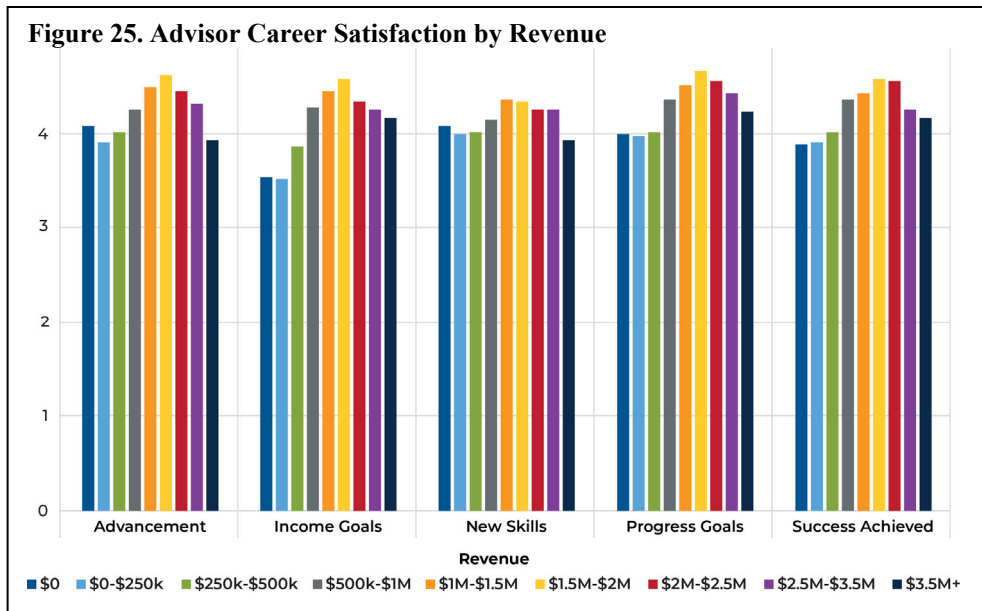
We see similar patterns when we look at career-related measures of wellbeing. Specifically, the career-related categories of wellbeing we measured included:

- I am satisfied with the success I have achieved in my career.
- I am satisfied with the progress I have made toward meeting my overall career goals
- I am satisfied with the progress I have made toward meeting my goals for income.
- I am satisfied with the progress I have made toward meeting my goals for advancement.
- I am satisfied with the progress I have made toward meeting my goals for the development of new skills.

On those measures, we see consistent peaking around \$1.5-2 million in revenue attributable to an advisor.

At the more granular level, we also see some more localized peaking in life satisfaction around \$251k - \$350k, and then again at \$551k - \$650k, and once more at \$851k - \$950k of revenue (plus the previously noted peak around \$1.5 to \$2.0 million).

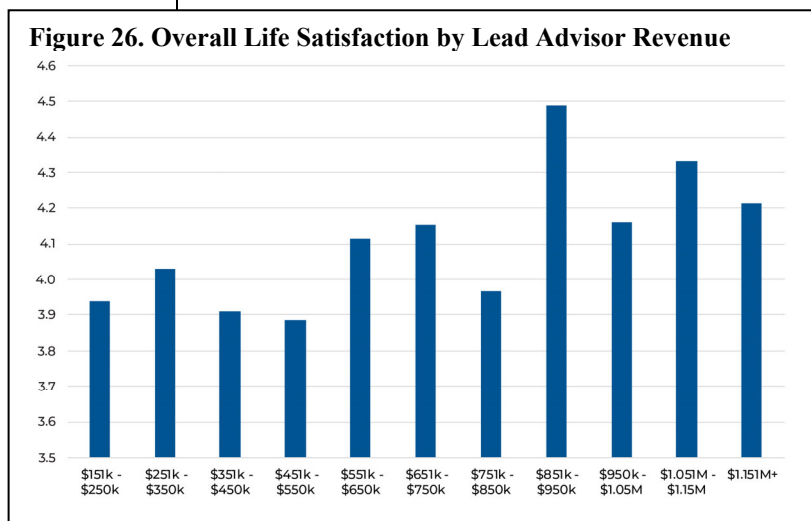
And notably, industry benchmarking studies – such as the latest InvestmentNews Pricing & Profitability study – show that advisory firms typically hire a new staff member every \$275,000 of revenue. Which suggests that advisor satisfaction falls off a bit as firms either need to make their first administrative hire (added complexity)



or stretch themselves thin by not making a hire (added burden), and then recovers as their revenue reaches the point where they can afford to (and do) hire.

In turn, the typical advisory firm adds a “professional” (i.e., paraplanner or associate advisor) staff member every \$614,000 of revenue. In turn, it is perhaps not surprising that there is a second peak in advisor satisfaction as the firm reaches the size that it can expand its advisory team further, relieving capacity constraints on the owner (with a concomitant lift in advisor wellbeing).

From there, continued revenue growth once again reduces advisor wellbeing for the 3-person team (with a client service administrator and an associate planner),



until the firm exceeds \$850,000 of revenue and can afford to hire the next staff member (when averaging \$275,000 of revenue/staff), and a new advisor wellbeing peak emerges.

More generally, this data suggests that wellbeing does increase with revenue growth (at least up until the level of \$1.5 - \$2.0 million in revenue), but not without some peaks and valleys that seem to coincide very directly with levels that we would expect start to strain most advisory practices from a staff capacity perspective. In other words, our data are broadly consistent with various stress points in a firm’s growth cycle, that necessitate growing one’s staff (or risk becoming stretched too thin). While advisory firms that grow beyond \$2 million of revenue move beyond the individual capacity constraints of the advisor, and instead begin to hit the challenges of the “dangerous middle” of the competitive landscape of advisory firms – where the firm grows too large to be small and nimble, but isn’t yet large enough to build the requisite infrastructure and achieve the economies of scale necessary to compete at the next level (a common segment of advisory firms being merged and sold in the recent environment).

Nonetheless, for advisors that do grow through such transitions, we do see potential of ultimately reaching higher levels of wellbeing. Still, though, advisors may wish to give serious thought to the potential stresses that come from growth. In particular, advisors approaching capacity thresholds (particularly those who aren’t excited about the added complexity of new hires) may ultimately be happier by shifting their focus to growing a more efficient practice without new hires, through some combination of removing smaller clients and adding larger clients, but not straining an advisor’s capacity by just continuing to add more to the total client count, to the point that a new hire is needed in the first place.

Alternatively, advisors who know they ultimately do want to go through various stages (e.g.,

a solo advisor who aspires to establish ensemble teams), may wish to plan ahead for transitions that come with various capacity thresholds and try to alleviate some of that stress. For instance, making a new hire *before* any capacity thresholds are truly passed may at least alleviate some of the stress that can come from stretching oneself too thin.

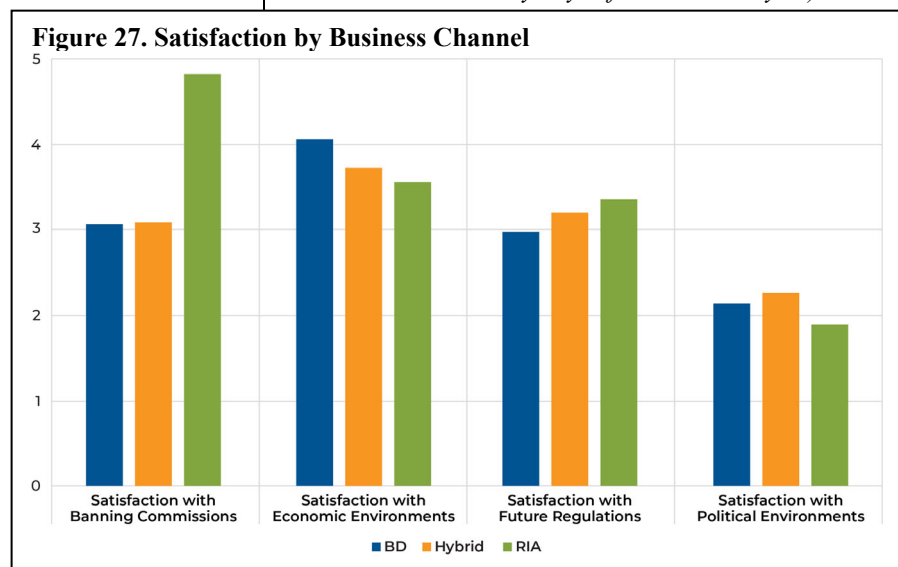
Advisor Dissatisfaction: Factors Associated With Wanting To Leave Employers Or The Industry All Together

In addition to the general measures of wellbeing in our study, we did ask some more industry-specific questions addressing advisors’ perceptions regarding the current state of the industry and/or trends within the industry.

Specifically, respondents were asked to rate their satisfaction (on a scale from 1 to 7) with the following:

- The direction of future regulation within the industry.
- Current economic environment.
- Current political environment.
- Proposals to ban all commission compensation among financial advisors.

(Editor’s Note: As a reminder, this study was conducted was completed between late August and early October of 2020—when Reg BI had only just taken effect, and while still in the early days of the election cycle).

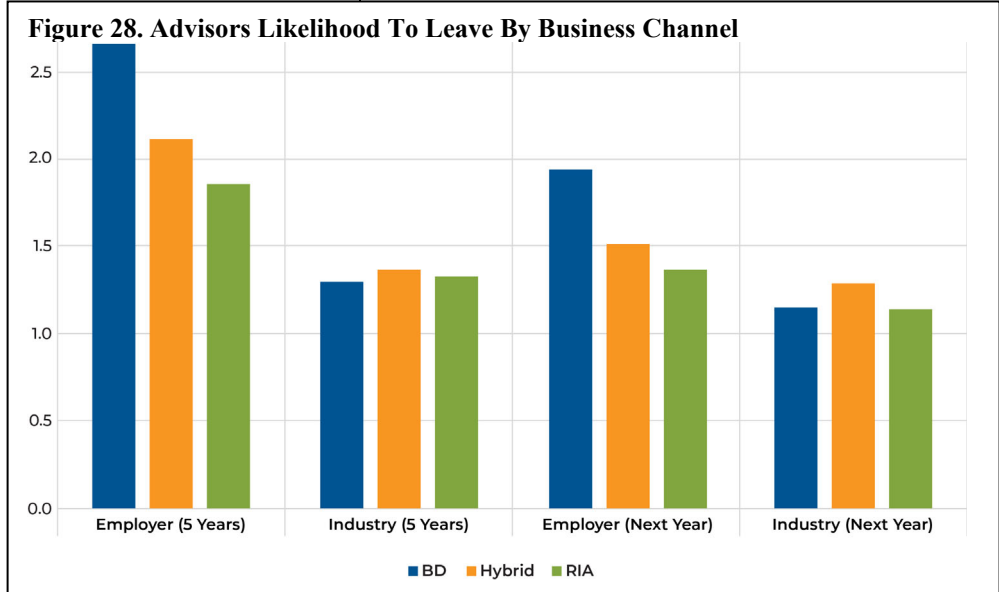


While perhaps not surprising, advisors that are more dependent on commission revenue (BD and hybrid) were significantly less satisfied with proposals to ban commission income and enact fiduciary regulation. Since 4 is the midpoint on the 7-point scale used here, advisors in RIAs were, overall, positive on proposals to ban commissions (4.83), whereas advisors within BDs (3.08) and hybrid (3.09) were negative on the idea.

With respect to all other questions asked (economic environment, political environment, future regulation within the industry) advisors were generally negative, with the exception of advisors in BDs being neutral about the current economic environment.

Interestingly, advisors were most negative on the political environment, and similar levels were reported by advisors in RIAs (1.89), BDs (2.14), and hybrids (2.23). It is also notable that even in the context of future regulation, the differences between B/Ds and RIAs weren't huge, perhaps an indicator of how much the broker-dealer community has shifted towards the fee-based model and away from its commission-based roots.

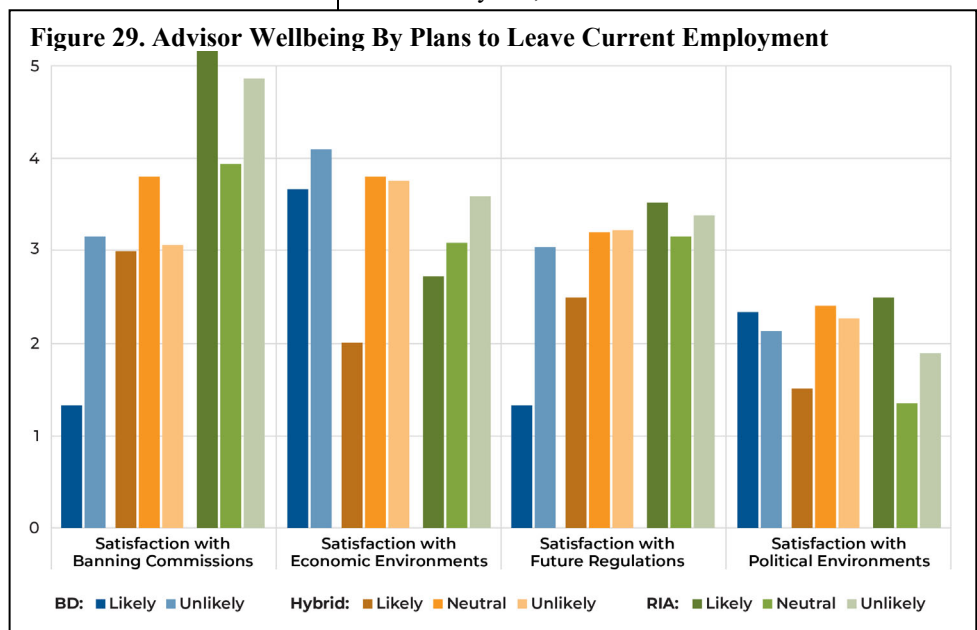
Additionally, to try and get a sense of whether advisor dissatisfaction is so strong it could actually lead to future actions, we also asked advisors about their likelihood of leaving the industry altogether,



leaving one's current employer, interviewing with other firms, and retiring from the industry over time periods of the next 12 months and 5 years.

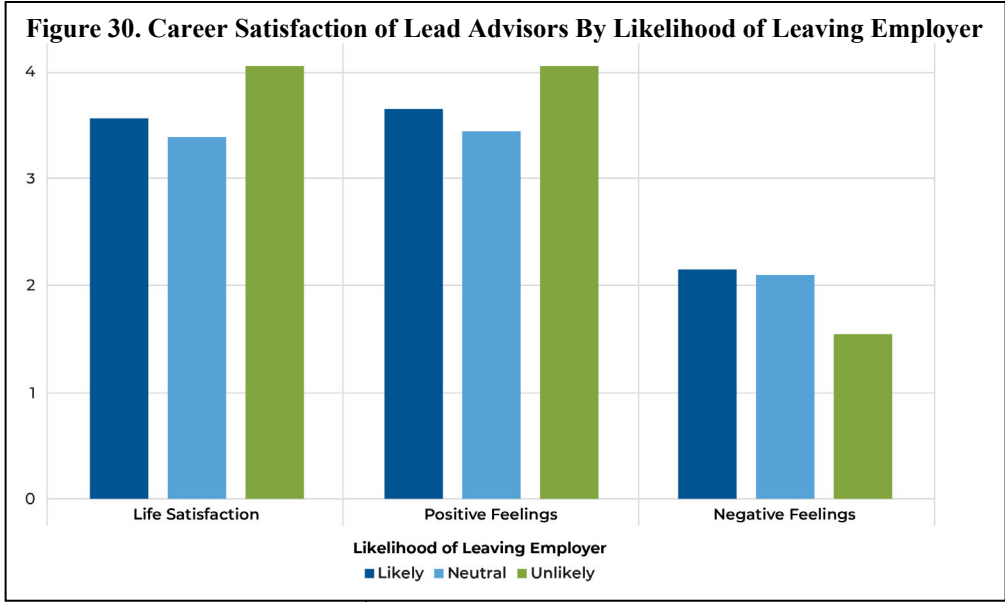
While we observed little to no difference in likelihood of leaving the industry across channels, we did see significant differences in likelihood of leaving one's current employer by channel, with advisors in broker-dealers being most likely to leave their current employer (followed by hybrid and then RIA) over both five-year and one-year periods.

With respect to likelihood of leaving the industry in the next five years, we did see that there were some



relationships between BD advisors' dissatisfaction with regulation and desire to leave the industry in the next five years. Interestingly, the same pattern was not observed among advisors within RIAs. And among those in hybrid firms, those who were less satisfied with future regulation, the current economic environment, and the current political environment were all more likely to report intentions to leave the industry within the next five years.

Because likelihood of leaving the industry within the next five years was assessed on a 7-point scale (ranging from extremely unlikely [1] to extremely likely [7] with a neutral midpoint of 4), the charts that follow are simplified to report only groupings of advisors "likely" to leave the industry (any scores of 5 or higher), advisors "unlikely" to leave the industry (any scores of 3 or lower), and those who were "neutral" (scores between 3 and 5). Mean satisfaction ratings in various areas are then provided for each group of likely, unlikely, or neutral within a given channel. For instance, among advisors in the broker-dealer channel, those that reported being likely to leave the industry within the next five years reported an average satisfaction score with proposals to ban commissions of 1.3 (closest to "extremely dissatisfied") whereas advisors in the broker-dealer channel who are not likely to leave the industry within the next five years reported an average satisfaction score with proposals to ban commissions of 3.2 (closest to "somewhat dissatisfied"). Suggesting perhaps not surprisingly that those most reliant on commission-based compensation in



broker-dealers are most concerned about its potential demise.

Of course, not all dissatisfaction is necessarily remedied by leaving the industry altogether. Rather, some advisors may simply be looking for a new employer. Figure 30 (above) examines wellbeing and likelihood that an advisor would report intentions to leave their current firm within the next year.

As indicated in Figure 30, wellbeing is clearly lower among advisors who report being likely to leave their firm rather than unlikely. However, the lowest category of all is "neutral", which may suggest that, when it comes to promoting better employee wellbeing, firms may want to look out for employees who are relatively apathetic more than anything else.

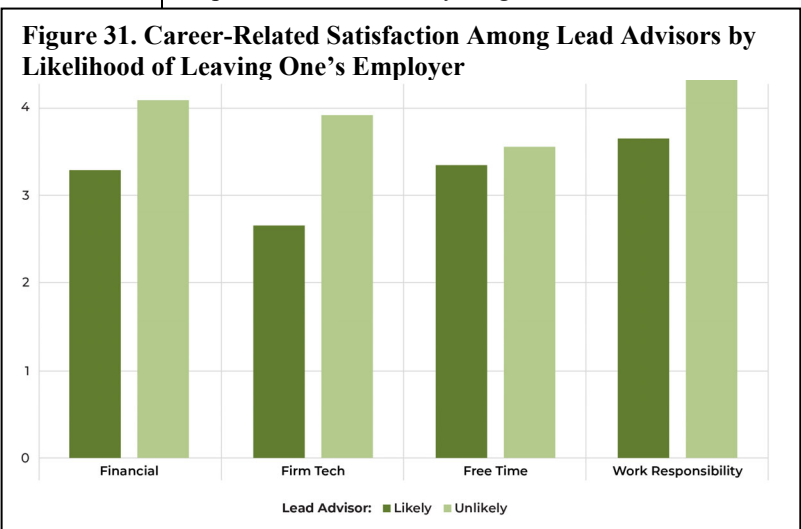
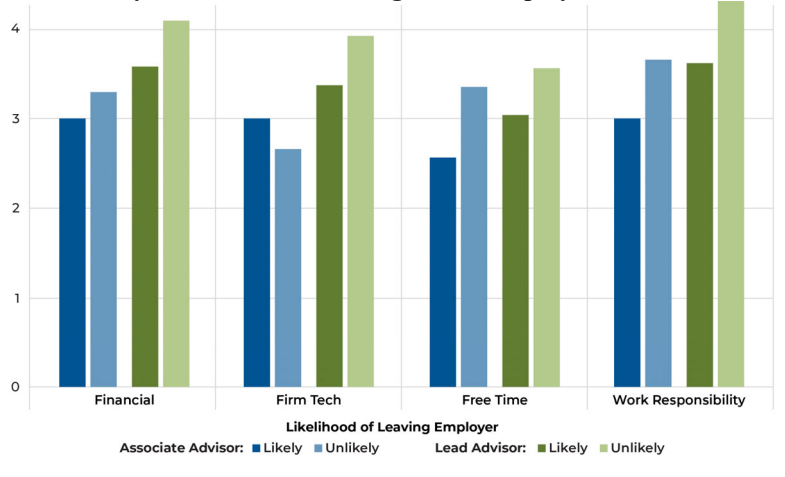


Figure 32. Career-Related Satisfaction Among Lead and Associate Advisors by Likelihood of Leaving One's Employer



Looking at specific employment-related stressors among advisors (these measures are on a 5-point scale with a “neutral” response of 3), it is clear that advisors who feel likely to leave their firm within the next year are less satisfied than advisors who feel they are unlikely to leave. Among lead advisors, the gap related to satisfaction with firm technology is particularly large among lead advisors (with advisors unlikely to leave scoring their firm’s technology at 3.9, while those who were likely to leave scoring it at only 2.7), although sizeable gaps in financial satisfaction and satisfaction with the level of responsibility in one’s work were also observed. Interestingly, there was little gap between lead advisors who plan to leave their employer and those who do not with respect to satisfaction with one’s free time.

Among associate advisors, the free time satisfaction gap between those likely to leave and those unlikely to leave their current employer in the next year was much larger, which may suggest free time is a bigger issue for associate advisors than lead advisors.

Interestingly, though, even advisors who felt they are likely to leave for a new employer within the next year still generally reported neutral or higher responses in most categories. In other words, advisors are still pretty satisfied with their jobs even if they are relatively less satisfied and considering new employment. This may help explain the relatively low turnover across the industry (among those in established roles and disregarding turnover due to the

low success rate in highly sales-oriented positions). Nonetheless, it does appear that firms that don’t meet associate advisors desires for free time, and lead advisors desires for technology, may be at particular risk of losing advisors.

Managing Advisor Stress And Promoting Greater Wellbeing

While the overall state of advisor wellbeing is very positive, individually there’s always room for improvement.

With that in mind, we also asked

advisors about a wide range of potential stress relieving activities that they engage in, including:

- Music / art
- Cardiovascular exercise
- Group exercise
- Journaling
- Meditation
- Spending time in nature
- Prayer
- Reading
- Non-business-related socializing
- Time off from work
- Walking
- Weight training
- Yoga
- Other hobbies

Correlations between stress relievers and life satisfaction, physical health, and mental health are reported in Figure 33 (top of next page).

First, it is notable that life satisfaction was most strongly related to general physical and mental health among advisors (assessed via self-assessments of agreement that one’s mental/physical health is excellent). As such, anything advisors can do to promote their own mental and physical health will likely be important for promoting long-term life satisfaction. Furthermore, although physical and mental health were both correlated with life satisfaction, mental health actually

Figure 33. Correlations Between Stress Relievers & Life Satisfaction, Physical Health, & Mental Health

| Stress Reliever | Life Satisfaction | Physical Health | Mental Health |
|-----------------|-------------------|-----------------|---------------|
| Social | 0.16 | 0.14 | 0.11 |
| Other Hobbies | 0.13 | 0.11 | 0.11 |
| Art | 0.12 | 0.15 | 0.17 |
| Nature | 0.12 | 0.11 | 0.05 |
| Walks | 0.10 | 0.14 | 0.06 |
| Weight Training | 0.09 | 0.18 | 0.14 |
| Reading | 0.09 | 0.07 | 0.05 |
| Time Off | 0.06 | 0.10 | 0.15 |
| Cardio | 0.06 | 0.16 | 0.10 |
| Group Exercise | 0.05 | 0.21 | 0.11 |
| Meditation | 0.05 | 0.11 | 0.08 |
| Journaling | 0.04 | 0.01 | 0.02 |
| Prayer | 0.04 | -0.01 | 0.02 |
| Yoga | 0.02 | 0.11 | 0.08 |

exhibited a stronger correlation ($r = 0.55$) than physical health ($r = 0.37$). Though physical health itself was also strongly correlated with mental health ($r = 0.57$).

Stress relievers were all positively associated with life satisfaction. Non-business related socializing ($r = 0.16$), art / music ($r = 0.12$), nature ($r = 0.12$), and other hobbies ($r = 0.13$) were most strongly correlated with life satisfaction.

Socializing, art / music, and other hobbies were notable in that each were associated with all three wellbeing metrics (life satisfaction, physical health, mental health) at a level of greater than $r = 0.10$. Of

course, relationships here are going to be influenced based on an advisor’s unique interests (e.g., if you don’t like art, it is probably not going to be a good hobby for you), but if you do happen to have any interest in such hobbies, they may warrant further attention. Furthermore, “other hobbies” is inherently open-ended and individual specific (e.g., this may mean yachting for one advisor and stamp collecting for another), but the key point

is that, if it is something you enjoy doing, you’ll probably get some benefit from doing it!

Overall, all stress relievers were positively correlated with mental and physical health (with the exception of prayer ($r = -0.01$) and physical health). Activities correlated above $r = 0.1$ for physical health included art / music, cardio, group exercise, weight training, yoga, leisurely walks, meditating, spending time in nature, non-business socializing, and other hobbies, while activities most correlated with mental health included art / music, cardio, group exercise, weight training, time off, non-business socializing, and other hobbies. By contrast, the activities that had the least correlation to

Figure 34. Advisor Wellbeing by Amount of Time Spent Reading

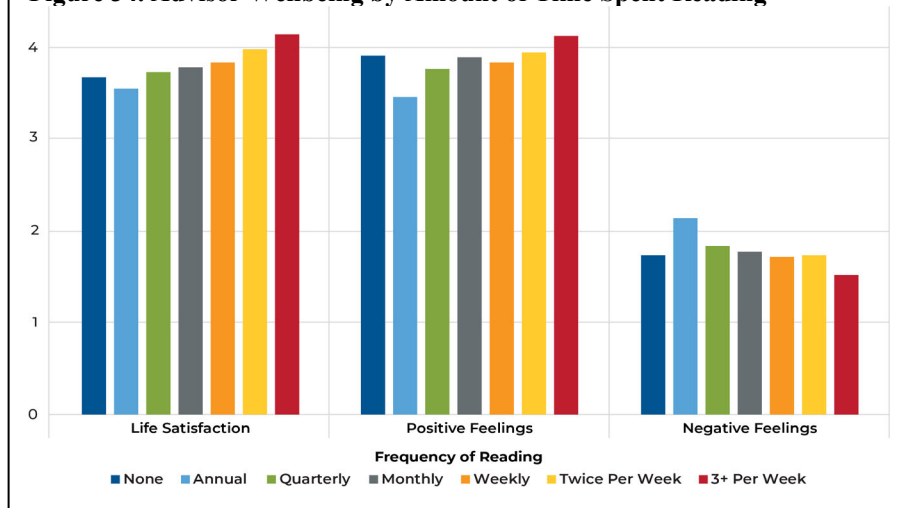


Figure 35. Correlation of All Stress Relievers and Life Satisfaction, Physical Health, and Mental Health

| | Life Satisfaction | Physical Health | Mental Health | Art | Cardio | Group Exercise | Journaling | Meditation | Nature | Other Hobbies | Prayer | Reading | Social | Time Off | Walks | Weight Training | Yoga |
|-------------------|-------------------|-----------------|---------------|------|--------|----------------|------------|------------|--------|---------------|--------|---------|--------|----------|-------|-----------------|------|
| Life Satisfaction | | | | | | | | | | | | | | | | | |
| Physical Health | 0.37 | | | | | | | | | | | | | | | | |
| Mental Health | 0.55 | 0.57 | | | | | | | | | | | | | | | |
| Art | 0.12 | 0.15 | 0.17 | | | | | | | | | | | | | | |
| Cardio | 0.06 | 0.16 | 0.10 | 0.06 | | | | | | | | | | | | | |
| Group Exercise | 0.05 | 0.21 | 0.11 | 0.04 | 0.09 | | | | | | | | | | | | |
| Journaling | 0.04 | 0.01 | 0.02 | 0.02 | 0.02 | 0.01 | | | | | | | | | | | |
| Meditation | 0.05 | 0.11 | 0.08 | 0.04 | 0.05 | 0.05 | 0.13 | | | | | | | | | | |
| Nature | 0.12 | 0.11 | 0.05 | 0.16 | 0.04 | 0.01 | 0.03 | 0.12 | | | | | | | | | |
| Other Hobbies | 0.13 | 0.11 | 0.11 | 0.22 | 0.10 | 0.06 | -0.01 | 0.03 | 0.10 | | | | | | | | |
| Prayer | 0.04 | -0.01 | 0.02 | 0.02 | 0.05 | 0.03 | 0.03 | 0.10 | 0.09 | -0.03 | | | | | | | |
| Reading | 0.09 | 0.07 | 0.05 | 0.09 | 0.08 | 0.01 | 0.06 | 0.09 | 0.19 | 0.15 | 0.03 | | | | | | |
| Social | 0.16 | 0.14 | 0.11 | 0.13 | 0.10 | 0.12 | -0.02 | 0.11 | 0.14 | 0.21 | 0.07 | 0.05 | | | | | |
| Time Off | 0.06 | 0.09 | 0.15 | 0.11 | 0.03 | 0.01 | 0.03 | 0.08 | 0.09 | 0.12 | 0.13 | 0.15 | 0.03 | | | | |
| Walks | 0.10 | 0.14 | 0.06 | 0.06 | 0.10 | 0.07 | 0.01 | 0.08 | 0.21 | 0.05 | 0.07 | 0.16 | 0.06 | 0.05 | | | |
| Weight Training | 0.09 | 0.18 | 0.14 | 0.07 | 0.30 | 0.15 | 0.02 | 0.13 | 0.09 | 0.04 | 0.05 | 0.04 | 0.09 | 0.00 | 0.03 | | |
| Yoga | 0.02 | 0.11 | 0.08 | 0.07 | 0.07 | 0.04 | 0.06 | 0.21 | 0.04 | 0.01 | 0.10 | 0.04 | -0.06 | 0.02 | 0.09 | 0.07 | |

measures of life satisfaction or physical or mental health were journaling, prayer, and reading (although those who read three or more times per week had higher levels of wellbeing than those who didn't read at all).

The correlation matrix above (Figure 35) may also be used to see what types of stress relievers are generally correlated with one another, as this may provide an indication of other types of stress relievers advisors may want to consider. For instance, if an advisor happens to enjoy reading, they can see that this activity is correlated with spending time in nature, time off, and leisurely walks. Finding activities that are correlated with one another may help generate some new stress relief ideas if advisors are feeling stuck coming up with something, since a decent correlation between two stress relievers likely suggests that other advisors who like one activity also like another.

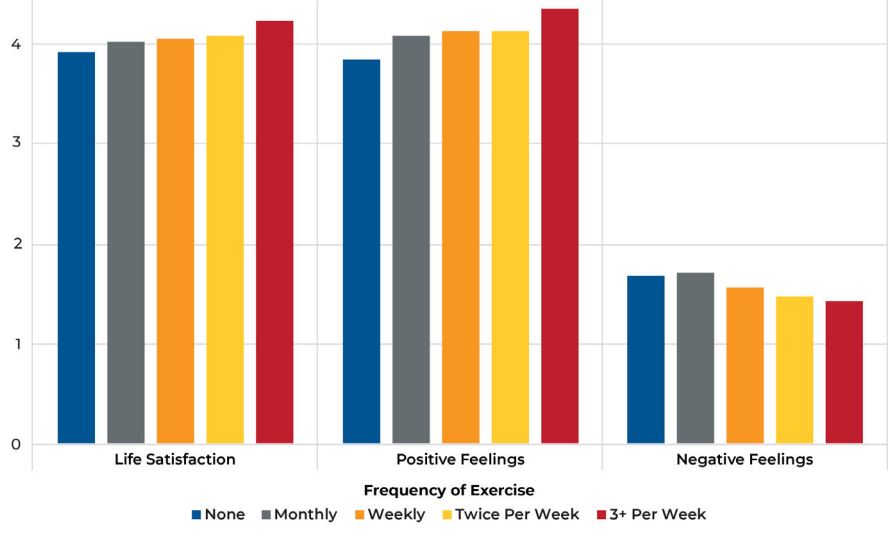
Ultimately, though, the key is of course to find activities that work for you. While we all need some motivation sometimes (particularly as we are starting to develop a new habit), trying to do something you don't like is likely not a recipe for success. If, for instance, you enjoy listening to audiobooks and taking a brisk walk but hate jogging, building a consistent workout

regimen around walking is likely going to work out better in the long run (or at least as a first step to get you going).

Within our study, we also saw that more frequent engagement in hobbies was generally associated with greater wellbeing. Figure 36, below, shows frequency of group exercise as a stress reliever, along with each of the wellbeing measures from the Comprehensive Inventory of Thriving (CIT).

Overall, though, those who engage in stress relievers at least 3+ times per week—regardless of the type of stress relief—consistently report higher levels of wellbeing. So, ultimately, it may be worthwhile thinking about stress relievers that can be engaged in more frequently rather than only periodically. If you can, for instance, golf only once per week, that doesn't mean you

Figure 36. Advisor Wellbeing by Group Exercise



shouldn't if you enjoy that activity, but if you can add cardio or some other activity in more frequently, then that may ultimately be better for your wellbeing.

Conclusions

In this study, we found that wellbeing is highly important not only for advisors in maintaining their own physical and mental health, but also for advisors to maintain positivity and better serve clients. Little was known about the state of wellbeing among advisors specifically, but thanks to the many advisors who took the time to assist with our study, we observed that wellbeing is *very* strong among financial advisors. Furthermore, wellbeing was strong not only with respect to the psychological measures we looked at in this study, but also more objective features such as advisor income.

While advisors generally reported higher levels of wellbeing as income increased, the same was not necessarily true of revenue. Instead, we observed a rough peak in advisor wellbeing around revenue of \$1.5 to \$2.0M, with more localized peaks among lower levels of revenue that are likely indicative of the advisor reaching (and then hiring to overcome) personal capacity constraints. In particular, we noted peaks around \$251k - \$350k in revenue (first admin hire peak), \$651k - \$750k (first professional hire peak), \$851k - \$950k (second admin hire peak), and then finally the highest peak at \$1.5 to \$2.0 million

(team complexity peak). This may be something for advisors to keep in mind as they think about prospects for increasing the size of their practice. Bigger may not always mean better, particularly when we think about growing pains that come along the way and developing the time of practice that an advisor truly wants.

One common theme that has not been observed throughout our Kitces Research studies has been the number of positive advisor outcomes associated with both the ensemble model *and* the solo-advisor-with-support-staff model. In the end, advisor within both of these models seem to do very well financially and in terms of other forms of wellbeing considered here.

However, it is also worth noting that we did see some unique challenges in this study with respect to solo advisors maintaining a sense of community and social support. The reality may be that, in contrast with advisors in ensemble firms that have peers to engage with in a daily basis, 'only' having support staff simply may not provide the same level of engagement that addresses loneliness and feelings of belonging. Since pure solo advisors seem to be largely not experiencing these same stressors (perhaps due to their much higher rates of engagement with professional organizations like NAPFA and XYPN), then perhaps solo advisors with support staff may want to mimic this behavior and find their own organizations to get involved with.

In other words, it is hard to be friends with your direct-report employees the same way that you can with professional colleagues, so solos with support appear most likely to get stuck in a 'faux social support' environment where their primary outlet of social support is employees that, unfortunately, just aren't as socially fulfilling from a wellbeing perspective. Ostensibly because goals, values, and life circumstances are less common between lead advisors and support staff, but this could also be complicated by the boss-employee dynamics of support roles that further presents challenges with developing social relationships within a work environment.

What did you think?

Hopefully you found this latest issue of The Kitces Report to be of value to you. However, since it is produced for you, the reader, we would like to hear from you about how the style, format, and content of the newsletter could be further improved to make it more valuable for you.

Please let us know what you think by emailing us at feedback@kitces.com!

Thanks in advance for sharing your thoughts!

This study also noted that physical health and mental health are both highly important for overall advisor life satisfaction. We examined a number of different stress relievers that advisors might engage in, finding that generally (a) most stress relievers we looked at were correlated with high life satisfaction, lower negative emotion, and higher positive emotion, and (b) more frequent engagement in stress relievers is associated with higher levels of wellbeing. With this in mind, advisors seeking new stress relief activities may want to give some serious thought to what you actually want to do, as well picking some activities that you can do repeatedly throughout the course of a week. In other words, it was less about *what* the stress reliever is, and simply *whether* the advisor has a stress reliever activity *and* is able to engage in it regularly (whatever it may be).

Ultimately, when we look at the advisory industry through a positive psychology framework, the state of wellbeing in the industry seems to be very strong. Compared to population norms, advisors are doing well. While there is always room for improvement, the combination of solid earning potential and the flexibility to craft one's advisory role into the type of position that is ideal for them, a career in financial advising seems to have a lot to offer.

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