



What Actually Contributes To Advisor Wellbeing?

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Executive Summary

Personal Wellbeing: The Ultimate Metric Of Success

Successful advisory firms tend to carefully monitor key performance indicators to better gauge their progress and identify areas of the business where improvements are most needed. Rarely, if at all, is the same level of attention paid to an advisor's personal wellbeing—even though wellbeing may be the most key indicator of them all.

Wellbeing, often overlooked and misunderstood, doesn't necessarily equate with business success, but the two are closely related. It is not coincidental that the happiest advisors are often the most successful from a business perspective (though notably, not always!). Greater wellbeing also correlates with a greater willingness for advisors to remain with their current firms. The foremost reason that wellbeing matters, however, is the simple fact that positive wellbeing is indicative of advisors that are enjoying life and getting the most out of it.

These conclusions stem from our second Kitces Research wellbeing survey, based on nearly 3,000 advisor responses collected in the Fall of 2021. As with our inaugural study released in 2020, we sought to add insight to a topic that has long been underserved. Our specific objectives were to contribute to a better understanding of wellbeing as it relates to the advisor community, in addition to providing guidance for advisors so that they may more positively influence their own wellbeing.

This year's study introduced new ways for gaining deeper insight on wellbeing. Relying on a self-reported rating scale, responding advisors were distinguished based on whether they were "Struggling" or "Thriving" in terms of wellbeing. Struggling advisors represented the bottom 14% of advisors by wellbeing; Thriving advisors accounted for the top 14%.

What constitutes wellbeing for a financial advisor? How can advisors move from Struggling to Thriving? Based on our review of the thousands of data points collected from respondents, the answers for nearly every advisor revolve around four key aspects of their work: Experience, Hours, Pricing, and Support.

Experience On The Job: Accept The Inevitable While Accelerating The Learning Curve

The typical Thriving advisor, at 52 years old, was two years younger than the typical Struggling advisor. Despite this difference, Thriving advisors tended to be vastly more

experienced, due to entering the profession much earlier. While the median experience level for Thriving advisors was 20 years, it was just 6 years for Struggling advisors.

Simply put, starting an advisory business is very challenging, and those difficulties are reflected not only in the slow growth path of a new advisory firm itself, but the wellbeing of the advisor building it. Advisors will need to recognize that their early years will be hard. This tends to hold true regardless of the type of firm the advisor affiliates with or the industry channel where they begin.

That said, the work of being a financial advisor becomes far more enjoyable with time, as the advisor builds skills, gains confidence in those skills, and achieves sheer cumulative growth in clients (and associated revenue). Advisor wellbeing increases as initial growth challenges are overcome—the sheer number of years of client-facing experience the advisor has is the single most predictive factor of advisor wellbeing. Though at the same time, whether it is gaining advanced certifications or actively participating in study groups, there are ways for an advisor to accelerate the learning curve, so that they may more rapidly advance to more satisfying years.

But the key point is simply that the career of being a financial advisor is one that pays great dividends over time...but it does take a lot of time for the career to bear fruit.

Work Hours: Gain Control Over What You Do And How Long You Do It

Across the advisor spectrum, advisors that fail to take control over their time see their wellbeing suffer. Putting in a 40 hour week, the typical Thriving advisor works five fewer weekly hours than a Struggling advisor. Thriving advisors also tend to reduce non-core activities (through having a more focused practice, hiring staff to delegate, or relying on platforms that provide more back-office support), resulting in a larger share of their time that is directly dedicated to clients. Client meetings, for example, account for 24% of a Thriving advisor's day, versus just 17% for the Struggling advisor (or about two hours per week of more-personally-rewarding client meetings).

There are many ways to get better control of time. Often advisors can avoid capacity constraints simply by being more selective about the clients the firm serves and learning to say "no" to clients that are not an ideal fit. Other effective means for making better

use of time include maintaining more discipline over workflow processes and hiring support personnel *before* they are needed to preserve excess capacity. Without capacity, advisors become overworked, growth opportunities are limited, and wellbeing suffers. Thus Thriving Advisors were significantly more likely to feel that they can take leisure time off without stress (likely due to the infrastructure and/or staff support they have built around themselves).

Client Pricing: Command The Compensation You Deserve

Thriving advisors are more confident in their expertise. Relative to Struggling advisors, they are three time more likely to feel that they are effective at their jobs. This confidence supports the ability of Thriving advisors to work with more affluent clients, price more appropriately for services provided, and generate higher gross margins from revenue collected.

Notably, Thriving advisors are also less apt to rely solely on AUM-linked charges that don't always align with the effort required to serve all clients (an issue especially relevant when serving clients with fewer assets). Instead, they are twice as likely to utilize a mix of revenue sources (e.g., standalone, hourly, or ongoing subscription fees) to ensure equitable compensation for every client served.

There is no shame in advisors commanding full price for the value they provide clients. Fee structures that are misaligned with services provided hurt an advisor's bottom line. Perhaps more consequential from a wellbeing perspective, failing to be fairly compensated also negatively impacts advisor morale. One of the greatest lifts to advisor wellbeing simply comes by consistently charging what they're worth, which reinforces the feeling that an advisor's work is "worthwhile" across every client served.

Support Systems: Developing A Network Of People And Partnerships For Stability As Well As Leverage

While most advisors are married or in a domestic partnership, Thriving advisors show a greater tendency. Just 7% do not have a partner, compared to 24% of Struggling advisors. Similarly, the majority of advisors chose the advisory profession as result of the desire to work with people. Again, the desire to be in contact with people is strongest for Thriving advisors, with 62% reporting this as a motivation. In comparison just 48% of Struggling advisors were motivated by working with people.

By surrounding themselves with the right people, advisors are positioned to benefit emotionally as well as financially. Beyond maintaining personal relationships (i.e., spouses and significant others, family and friends), participating in professional associations, joining study groups, and forging relationships with mentors are effective ways for tapping emotional support as well as increasing professional expertise. Collaborating with the right internal service team provides similar benefits, in addition to allowing the advisor to better leverage time and reduce stress related to constrained capacity.

Wellbeing On An Upswing?

Many of the themes uncovered in our first study were reconfirmed in the second. These included wellbeing's positive correlation with advisor income and its negative correlation with hours worked. In addition, similar ups and downs in wellbeing were observed as advisors grew their practices and their revenue (where wellbeing did *not* rise as linearly with revenue as it did with take-home income). Stress rose as capacity became constrained, then fell as new capacity was brought online.

While not a statistically significant increase, advisor wellbeing may have improved slightly between the two studies. The potential increase could be a result of advisors becoming more acclimated to working and living through a pandemic. By late 2021 just 37% of advisors felt some level of COVID-19-induced stress, with 84% reporting that their incomes were equal or higher compared to pre-pandemic.

Every Advisor Is Capable Of A More Fulfilling Career

What's most clear from our research, however, is that on an individual level, advisors are very much capable of improving wellbeing. This holds true even if an advisor may lack characteristics that are common to Thriving advisors. Factors that contribute to wellbeing often vary according to the unique circumstances of the advisor. What drives happiness for one advisor may be entirely different for another. Which also helps to explain why advisors can be Thriving across a wide range of industry channels and business models, as advisors over time do tend to make the shifts towards advisor models and platforms that are a better fit *for them*.

With a better understanding of the factors that influence wellbeing, an advisor can plot a custom course that leads to not only a more satisfactory career, but also a more fulfilling life. As the saying goes, "Do what you love and you will never have to work another day in your life".

Introduction

Measuring Wellbeing

Wellbeing is multi-faceted, and measurable in many ways. Given this, our Kitces Research survey covered a variety of wellbeing indicators. Regarding the workplace, for example, we asked advisors about the extent they felt appreciated at work, their comfort level in being themselves at work, and the level of autonomy they had over their work.

We also employed a series of broader questions from the “Brief Inventory of Thriving”, a construct developed by psychologists Rong Su, Louis Tay, and Ed Diener for capturing a comprehensive overview of wellbeing and positive functioning.¹

The Brief Inventory of Thriving, with ten items, is a scaled back version of the researchers’ longer-form 52-item Comprehensive Inventory of Thriving. While we utilized the latter in our 2020 wellbeing research, we elected to rely on the Brief Inventory this year to simplify the survey for respondents, and free up more room for asking new questions.

Our use of the “Cantril Ladder” was among the new questions introduced this year. More formally known as the Cantril Self-Anchoring Scale, the measure was developed in 1965 by Dr. Hadley Cantril, a pioneering social researcher.² Respondents are told to think of a ladder, with the best possible life being a 10, and the worst possible life being a 0. They are then asked to rate their own current lives on the 0-10 scale.

While not as complex as other measures of wellbeing or quality of life, the simplicity of the Cantril rating scale provided our research team with an easy yet effective metric to use as a first point of distinction in understanding differences in wellbeing across advisors. (Though despite, or perhaps because of, its apparent simplicity, the Cantril Ladder is a widely used measure of wellbeing in large-scale survey studies, most notably in international research conducted by the Gallup Organization.)

Throughout this report we split various advisor groups according to the advisor’s Cantril rating of wellbeing. We typically compare “Thriving” advisors with those “Struggling”. Thriving advisors rated life quality a 9 or 10. These advisors accounted for 14% of our respondents. Struggling advisors rated life quality a 5 or less. These advisors also (coincidentally) ended up representing 14% of responses. In a few cases, when sample sizes were less robust, we simply split an advisor group by whether the advisor was “Most Well” or “Less Well”. Most Well advisors rated life quality on the Cantril scale at 8 or more. Less Well advisors, making up the remainder, rated 7 or less. While the Most Well/Least Well split tended to yield less dramatic distinctions, the reliability of results improved due to using the entire group sample.

¹Su,Tay and Diener. *Journal Applied Psychology: Health and Wellbeing*, pp. 251-279, 2014 (<https://iaap-journals.onlinelibrary.wiley.com/doi/10.1111/aphw.12027>)

²Cantril, H. (1965) *The pattern of human concerns*. Rutgers University Press, New Brunswick.

Wellbeing: The Overlooked KPI

In practice management literature, it's the business metrics, especially those related to profits and growth, that typically define a financial advisor's "success". Yet the reality is that, as the saying goes, "you can't take it with you". More broadly, a growing volume of research shows that there comes a point where additional income and wealth does little to enhance our quality and enjoyment of life. At this point the focus shifts instead to our health and social relationships.

Still, despite rising awareness that money alone is not always a good benchmark for "success", there is remarkably little research examining financial advisors' success in terms of their quality of life or personal wellbeing. Even though arguably wellbeing may be the most key performance indicator of them all.

To fill this void, Kitces Research released its inaugural research paper of advisor wellbeing in 2020. This current paper marks our second effort to better understand wellbeing with respect to the advisor community. This year, previous ground is revisited to compare how advisor wellbeing has changed over the past year (particularly amid the evolving COVID-19 pandemic). In addition, new perspectives on wellbeing are explored.

Correlation Between Wellbeing And Other Positive Feelings

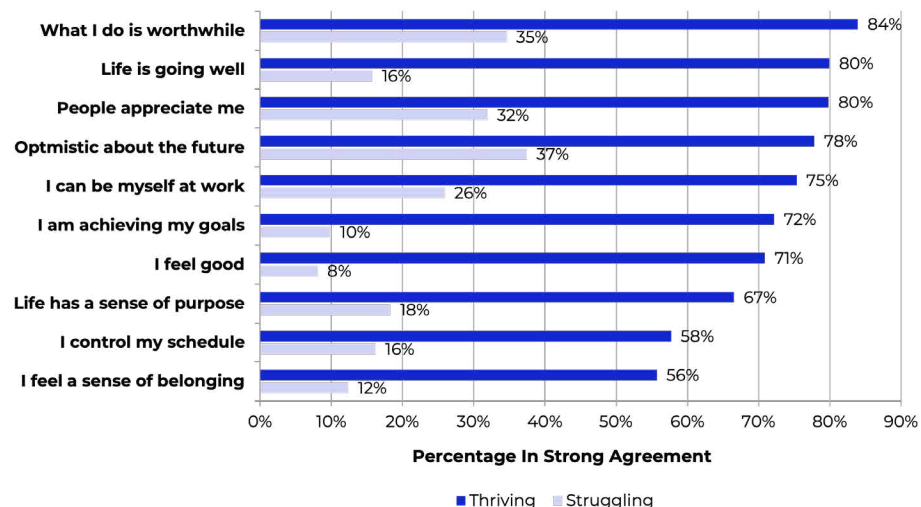
Why is wellbeing important? Foremost is the correlation of general wellbeing with a variety of positive feelings related to quality of life. Simply put, advisors with positive wellbeing enjoy life and are getting the most out of it.

Cantril Ladder scores indicate the extent to which individuals experience their "best possible life". Throughout our paper we rely on an advisor's self-reported Cantril rating as a starting point for understanding wellbeing and its various influences. Thriving advisors, the top 14% based in terms of their Cantril rating, are far likelier to identify with other positive feelings in comparison to Struggling advisors, who are at the bottom 14% by Cantril ratings (Figure 1).

Thriving Advisors Living Their Best Lives

Thriving advisors were most likely to feel that "What I do is worthwhile", with 84% in agreement. "Life is going well" was the second highest ranking sentiment for Thriving advisors followed by "People appreciate me" and "Optimistic about the future".

Figure 1: Correlation Of Wellbeing With Other Positive Feelings: Struggling Vs Thriving



Relative to Struggling advisors, Thriving advisors were nearly nine times more likely to agree strongly with the statement "I feel good". This was the greatest difference across all feelings tested.

On the other hand, the gap in sentiment was nearly as great for "I am achieving my goals", with 72% of Thriving advisors in strong agreement versus just 10% of Struggling advisors. In an industry sharply focused on helping client achieve goals, it is no wonder that advisors' abilities to achieve their own goals align so tightly with wellbeing.

Correlation Between Wellbeing And Business Success

While wellbeing may not necessarily drive business success directly, there is clearly a correlation between the two. Across all respondents, Thriving advisors are vastly outperforming Struggling advisors on virtually every key indicator of business performance (Figure 2). This includes volume of business conducted, revenue and income generated per each client, as well as the share of time these advisors spend with clients.

Figure 2: Key Business Metrics: Struggling Vs Thriving Advisors

| Group Median | Struggling | Thriving |
|-------------------------------|--------------|--------------|
| AUM Per Advisor | \$19,375,000 | \$88,750,000 |
| Revenue Per Advisor | \$127,500 | \$500,000 |
| Income Per Advisor | \$96,000 | \$350,000 |
| Clients Per Advisor | 31 | 76 |
| Revenue Per Client | \$3,333 | \$6,024 |
| Advisor Income Per Client | \$2,000 | \$3,750 |
| Gross Margin* | 41% | 56% |
| Share Of Time Meeting Clients | 13% | 22% |

*Advisor income as a share of client revenue

Notably, though, it's not clear from these results alone whether advisors experience greater wellbeing because their businesses are successful, or if greater wellbeing of advisors leads them to create more successful businesses (e.g., they bring a more positive and constructive attitude to growth, and more energy to their work, because it feels more fulfilling to them).

Our results do indicate that business success itself is at least a partial driver for wellbeing, though. As once the comparison is adjusted for experience, the contrast in business performance between those with greater and lesser wellbeing becomes less distinct.

However, what our results do reveal is that amongst experienced advisors, the driver of wellbeing appears not to be the size of the advisory business, but the extent to which the advisor can leverage their own time in the business. As the data show, more experienced advisors have the capability to handle bigger and more complex clients more effectively. This leads to the experienced advisor earning more income while working

less by generating significantly more revenue *per client*! In turn, both greater income and fewer hours worked are strongly correlated with wellbeing. We explore the influence of experience on wellbeing in more detail further ahead in this report.

Figure 3 displays key business metrics for advisors with greater and lesser wellbeing, focusing on only those who were established and more experienced. We define these advisors as being independent, with at least ten years advisory experience, and owning their own firms or practices. Because of the smaller sample size, we used the entire experienced group, comparing those "Less Well" (Cantril rating of 7 or less) and "Most Well" (rating of 8 or more).

Figure 3: Key Business Metrics: Less Well Vs Most Well, Established Independents

| Group Median | Less Well | Most Well |
|-------------------------------|--------------|--------------|
| AUM Per Advisor | \$80,000,000 | \$80,000,000 |
| Revenue Per Advisor | \$400,000 | \$600,000 |
| Income Per Advisor | \$270,000 | \$367,500 |
| Clients Per Advisor | 80 | 85 |
| Revenue Per Client | \$5,731 | \$6,798 |
| Advisor Income Per Client | \$3,427 | \$4,286 |
| Gross Margin* | 50% | 58% |
| Share Of Time Meeting Clients | 20% | 22% |

*Advisor income as a share of client revenue

When isolating on established advisors, AUM per advisor, at \$80 million, is identical regardless of level of wellbeing. The Most Well advisors in this group, however, still manage to generate 50% higher total revenue and 36% greater total income from the same base of AUM. They do so with a slightly *higher* number of clients.

Which means, simply put, that advisors with greater wellbeing are commanding higher fees for clients with similar-or-lower assets. The fact that Thriving advisors were more likely to report that "What I do is worthwhile" and "People appreciate me" appears to be directly reflected in their higher fees charged for value provided!

Still, with experience held relatively constant, it's not clear whether advisors derive greater wellbeing by charging higher fees "to reflect what they're really worth". Instead,

could a higher level of wellbeing be directly driving these results, to the extent that positive wellbeing itself may drive advisor confidence? After all, with greater confidence, advisors are more likely to be willing to charge premium pricing for the value they are delivering. Again, the result is greater advisor income off the same level of assets.

Alternatively, however, causation may flow in the other direction. That is, our group of Most Well advisors may simply be more adept in managing their clients and their practices, and price their services appropriately at what the market will bear for the value they're providing. As a result, they are generating greater levels of income. The income advantage, in turn, is the primary driver for greater wellbeing, with their income goals achieved (and then some) in fewer hours of work as well.

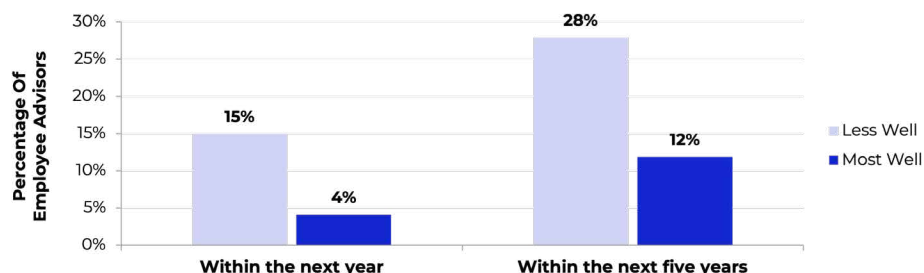
Regardless, wellbeing and business outperformance, particularly with respect to commanding higher fees for the clients being served, are clearly correlated. The relationship holds true even among advisors with similar experience levels. In some way, a significant share of advisors have achieved the best of both worlds—quality of life *and* business success.

Correlation Between Wellbeing And Employee Retention

A final key justification for the importance of wellbeing is its potential influence on employee retention. Of special relevance to employers of advisors, wellbeing is strongly linked to retention. In essence, happier employees are much likelier to stick with their current employer. As shown in Figure 4, Less Well employee advisors are three times as likely to indicate at least some chance that they will leave their current employer within the next year. Almost 30% of this group is at least somewhat likely to leave within the next five years, compared to just 12% of Most Well employee advisors.

Struggling Employee Advisors Are Much Likelier To Leave Current Employer

Figure 4: Correlation With Retention: Less Well Vs Most Well



About This Study And Its Participants

Undoubtedly, wellbeing matters—not only from a quality-of-life standpoint, but as our data show, also from a business perspective. Given this significance, our Kitces Research white paper seeks to further expand upon the limited understanding of wellbeing across financial advisors. This includes identifying those scenarios where wellbeing flourishes, as well as where it flounders. In doing so, we hope to better understand what influences wellbeing and, most important, provide recommendations for how to channel these influences in a more positive direction.


This report relies on a foundation of survey data collected online from August 9 to October 15 of 2021. Nearly 3,000 advisors responded to our 50-question survey. While the focus of the survey was wellbeing, questions also covered advisor demographics, operating practices, and firm characteristics.

Kitces Research primarily solicited survey participation through Kitces.com and Nerd's Eye View readership. Given the Kitces focus on advisors providing comprehensive financial planning strategies, our sample does not necessarily reflect all those holding out as a "financial advisor". As Kitces readers, survey participants also differ some in terms of their demographics and differ more widely in other characteristics.

With the possible exception of race, most demographic characteristics of our advisor sample were consistent with the advisory industry as a whole. The typical age of our respondents was 50, in range with advisors throughout the industry. By gender, 75% of respondents were male, slightly less than the 77% share of males among CFP professionals.³ By race, 87% of respondents were white, compared to 83% for CFP professionals as a whole.

Not surprising given our more financial planning-centric sample, study participants included a greater proportion of CFP professionals. About two-thirds of respondents (65%) held the designation, a share that is at least double that of the industry overall. Consistent with the abundance of planners, the Kitces sample was also more RIA-centric. When asked what best describes their primary business channel, 71% indicated "Independent RIA".

³ <https://www.cfp.net/knowledge/reports-and-statistics/professional-demographics>



The Kitces sample likely varies from the industry in other ways as well that are harder to quantify. We hope they won't take offense, but as we have noted in our previous studies, our readers can be a bit “different” from the typical financial advisors. Not everyone enjoys several-thousand-word posts on recent tax changes!

In sum, our survey may not perfectly represent the broader financial services industry—few if any industry surveys do. That said, we do believe that the sample reflects the types of advisors at the forefront of the financial planning profession, as well as the type of advisor most likely to access this white paper.

Current State Of Well-Being (Overview)

Comparisons To Our Previous Study

As noted, this study is the second from Kitces Research to focus on advisor wellbeing, with the first conducted in 2020. Across comparable question areas much of what we learned in 2020 was reaffirmed in 2021 (despite our 2020 sample population being one-third of the much-larger 2021 participant total in this latest study).

Examining demographics in 2020, we found that there was no material difference in wellbeing by gender, but enhanced wellbeing was highly correlated with being married. The same held true in our current study. Also reaffirmed was wellbeing's negative correlation with hours worked, and its positive correlation with income. Additionally, we continued to see peaks and valleys in advisor wellbeing as advisors grew in terms of revenue managed. All these results are covered in greater detail further ahead.

While not statistically significant, the most noteworthy difference from our 2020 to 2021 results is in terms of overall level of wellbeing. The average rating for all advisors reacting to the statement, "My life is going well" was up 3%. On a five-point scale, where "5" signified total agreement, the average for advisors in 2022 was 4.3 compared to 4.2 in 2021. Similar slight increases were noted across varying levels of experience, as well as gender. One possible explanation for the slight improvement may be a lessening sense of discomfort regarding COVID-19.

COVID – Minimal Impact?

COVID-19 was a relatively new but firmly entrenched threat to physical health when our first wellbeing survey fielded in the early Fall of 2020 and the virus aligned with measurable decreases in mental wellbeing. Across the United States, 32% of the population reported at least some symptoms of anxiety disorder at this time. Depression affected 25% of the population. In comparison, pre-pandemic symptom rates were 8% for anxiety and 7% for depression as of 2019.⁴

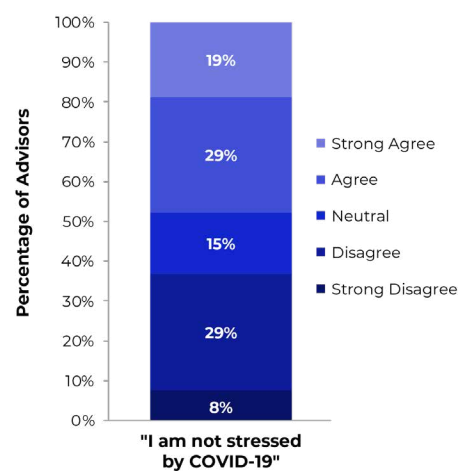
By the time our current study began fielding in August of 2021 – just as the Delta variant began to emerge – levels of anxiety and depression among the broad population, at 27% and 21% respectively, had declined slightly but remained well above pre-pandemic levels.

⁴<https://www.cdc.gov/nchs/covid19/pulse/mental-health.htm>

Whether financial advisors experienced the same level of COVID-induced stress on wellbeing is less clear. In 2020, well over half of the Kitces Research survey respondents (62%), agreed that they were feeling more work-related stress due to COVID-19. While the questions aren't exactly comparable, at the time of fielding for our current study just 37% were at least in some disagreement to the statement that, "I am not stressed by COVID-19" (Figure 5).

More broadly, advisor wellbeing showed some correlation with stress; just 29% of Thriving advisors expressed a sense of stress brought about by COVID-19, compared to 44% of Struggling advisors.

Figure 5: Fewer Advisors Stressed By COVID-19



COVID-19, however, appears to have made a positive impression on work/life balance for most respondents--61% agreed that the virus provided a new perspective on balance. An even greater share felt no negative impact on their income due to COVID, with 84% agreeing that their current income was equal or higher than pre-pandemic. This suggests improvement relative to 2020, when 25% of advisors agreed that "reduced income has been a stressor for me".

Regarding COVID's impact on how advisors conduct their work, 60% reported that they had returned to full-time in-office work (as of the time of our study).

The clients of many advisors, however, have been slower to return, with less than half (48%) of respondents indicating that clients were comfortable meeting face to face. The lower comfort level for clients is likely due to their average age trending older relative to advisors. With age being a significant risk factor for COVID-19, advisory clients would naturally be more averse to returning "too quickly" to in-person meetings given COVID exposure risks.

Profiling The Thriving Advisor

Turning exclusively now to our current results, what does wellbeing look like? We have distilled a profile of the happy advisor from the thousands of data points collected across our survey respondents. The profile is provided here for the purpose of having an introductory launch point. As detailed ahead, our generalized profile is subject to a variety of caveats and exceptions, depending upon a given advisor.

Figure 6 highlights many of the key distinctions that separate advisors who struggle with wellbeing relative to those who are thriving. Also included are a few key characteristics that appear to have no bearing on wellbeing. From this foundation a picture emerges of the “Thriving” advisor.

Figure 6: Distinguishing Struggling And Thriving Advisors

| | Struggling | Thriving |
|---------------------------------------------------------------|------------|-------------|
| Limited Or No Distinction | | |
| Median Age | 52 | 50 |
| Share Female | 23% | 23% |
| Share Minority | 11% | 10% |
| Median Size Of Service Team | 3.1 | 3.0 |
| Clear Distinction | | |
| Share Married Or With Domestic Partner | 76% | 93% |
| Median Years As An Advisor | 6 | 20 |
| Median Age First Starting As Advisor | 44 | 27 |
| Share With Strong Desire To Work With People | 48% | 62% |
| Share Strongly Agreeing They Are Effective At Their Job | 20% | 63% |
| Median Weekly Hours Worked | 45 | 40 |
| Share Of Time Spent With Clients And Financial Planning | 38% | 42% |
| Share IBD-Affiliated | 9% | 18% |
| Share Working In An Established Firm With Capacity For Growth | 48% | 59% |
| Share In Silo Service Team Structure | 12% | 19% |
| Median Client AUM | \$600,000 | \$1,000,000 |
| Share Relying On A Mix Of Revenue Sources | 7% | 15% |
| Median Gross Margin | 41% | 56% |

In terms of demographics, Thriving advisors tend toward no particular gender or race but are significantly more likely to be married or in some other form of domestic partnership. Just 7% of Thriving advisors do not have a partner. Consistent with their greater likelihood of being in a partnership, Thriving advisors are also more apt to be motivated by a strong desire to work with people.

They are close in age relative to Struggling advisors, but slightly younger. At 50 years, the typical Thriving advisor is two years younger. Despite fewer years in age, Thriving advisors are significantly more experienced, having started their financial careers much earlier. With a 20 year median tenure as an advisor, the Thriving advisor has more than three times the level of experience than that of a Struggling advisor.


In line with their greater experience, Thriving advisors are enjoying more business success as previously noted. This includes having responsibility for more clients and revenue and being more efficient at converting this revenue into income. As a result, the typical Thriving advisor earns \$350,000 per year, more than three times greater than the Struggling advisor.

Thriving advisors achieve this outperformance working just 40 hours a week, five hours less than those who are Struggling. Additionally, a greater share of their time is spent on core activities such as meeting with clients and financial planning.

Experience helps the Thriving advisor to achieve more in less time, but other factors are at play as well. Thriving advisors are more inclined to work in firms that are established yet still have room to grow. In addition to minimizing stress, firms in this mode offer an advisor the capability to seize opportunities immediately as they surface.

Other examples linking Thriving advisors with capacity and needed resources include a greater tendency to affiliate with an independent broker dealer or work within a silo structure, where the advisor's team is part of a larger firm or platform. Note, however, that the Thriving advisor does not work with a larger team. With a median client service team size of 3.0 full-time equivalents, Thriving advisors' teams are a bit smaller than those of Struggling advisors at 3.1 FTEs.

Lastly, Thriving advisors, appear to have the confidence to price their services in line with the value they provide clients. Relative to Struggling advisors, three times as many Thriving advisors (63%) strongly agree to being “effective at their job”. Further, Thriving advisors are twice as likely to apply a mix of charges for pricing services as opposed to



being wholly reliant on an asset-linked fee. In combination, the results imply Thriving advisors are directly enhancing their wellbeing with the satisfaction of being appropriately compensated. In addition, better pricing helps generate more income for the Thriving advisor, which also adds to wellbeing.

In sum, these generalizations offer a starting point, but we again caution that the underpinnings that support wellbeing are complex—they often differ depending upon the unique situation of each advisor. Because of these variances, advisors shouldn't be discouraged if they don't fit the stereotypical "Thriving" criteria. As detailed ahead, there are exceptions and subtle nuances to all of these generalizations that suggest many alternate routes for arriving at better wellbeing.

Overarching Factors Associated With Wellbeing

This Kitces Research white paper examines the influences on advisor wellbeing from four primary perspectives: 1) Who you are; 2) What you do; 3) Where you work; and 4) How you are paid. Figure 7 further details report coverage as it relates to these four perspectives, given the various categories of data collected.

Note that the extent to which wellbeing is “improvable” varies according to the factor involved. For example, changing your age is impossible, while re-allocating where you spend your time is comparatively easier.

With a better understanding of all the factors related to wellbeing, advisors can better identify wellbeing limiters simply based on their circumstances (e.g., age, years of experience, etc.). In addition, they can raise their level of wellbeing by focusing on what they can change, while working around wellbeing influences that are otherwise beyond their control.

Figure 7: Wellbeing From Four Perspectives



Wellbeing Factors: Who You Are

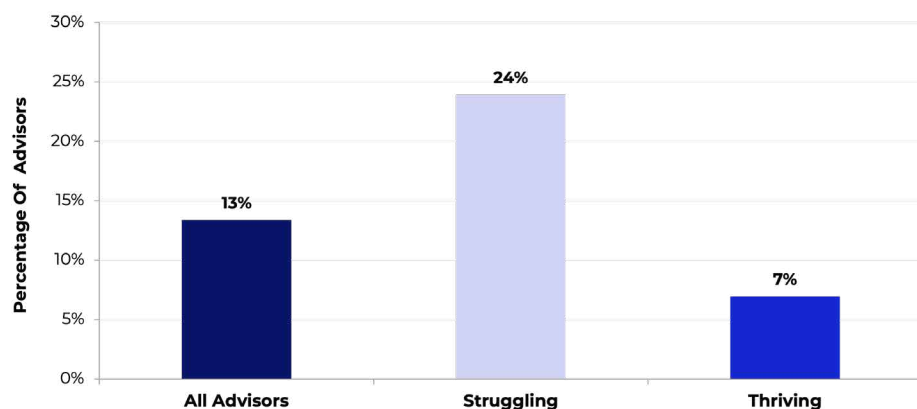
Demographics

Nothing may more simply define who an advisor is than basic demographic characteristics. Demographics exhibit mixed ties to wellbeing, a positive given the limited influence advisors have on these factors.

Overall, 25% of our respondents were female, and 10% were minority (either non-white or Latino). Notably, though, neither gender nor minority status showed any material correlation with wellbeing. In other words, those at the highest levels of wellbeing were just as likely to be female or minority as those at the lowest levels. This is not to say females and minorities aren't being discriminated against, however—minorities in our survey were particularly prone to report discrimination. Rather, these groups have otherwise been able to achieve the outcomes that increase their wellbeing notwithstanding the presence of discrimination, and/or may be better able to minimize the impact of discrimination as it relates to their wellbeing.

In contrast with gender and race, being in some form of domestic partnership correlates highly with wellbeing. Having a partner can positively influence wellbeing in the form of greater emotional stability, as well as financial stability. As Figure 8 highlights, Struggling advisors are nearly twice as likely than Thriving advisors to be living on their own, unmarried, or without a domestic partner. Struggling advisors are also over twice as likely to be divorced or separated.

Figure 8: Struggling Advisors Often Lack Partners



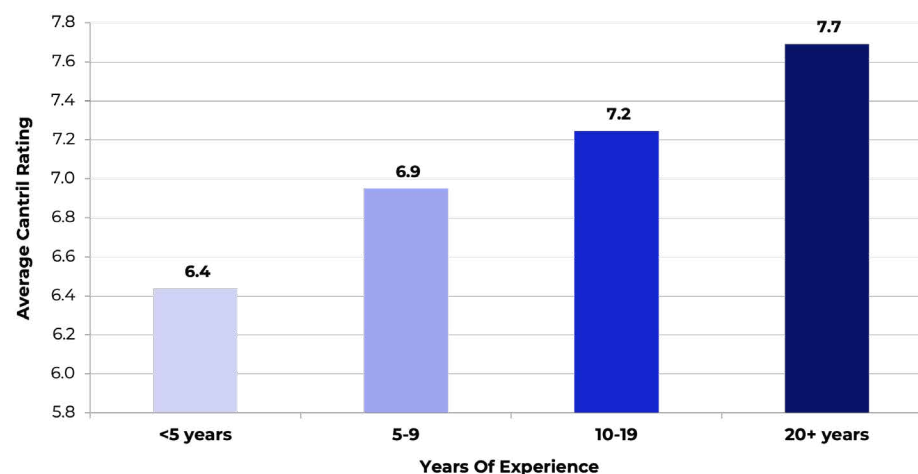
Turning to advisor age, a deep review suggests no clear link between an advisor's age and their wellbeing. Across survey respondents, the median advisor age was 50, the median Thriving advisor was also age 50, and the median Struggling advisor slightly older at 52.

Experience

Far more relevant to wellbeing than an advisor's age, though, is their level of experience. As shown in Figure 9, wellbeing consistently advances as advisors accumulate more years of advisory experience. While the typical Thriving advisor has worked 20 years in an advisory capacity, the Struggling advisor has worked just six. A similar relationship exists between wellbeing and industry experience in general, regardless of role.

Happiness Increases With Experience

Figure 9: Wellbeing By Advisor Experience



Note again that based on median age the Struggling advisor is two years older than the Thriving advisor, despite being significantly more inexperienced. This is due to Struggling advisors often getting a much later start in the industry. The typical Struggling advisor first became an advisor at the age of 44, after having spent three years in the

industry. In contrast, the typical Thriving advisor was 27 when starting their advisory career, with two years of prior industry experience.

Late career-changers are often touted as a key source for replenishing the industry’s critical demand for new advisors. Our results suggest that older newcomers, however, may need to take special care during the course of their transition, as they seek professional as well as personal success in the industry.

Of course, the observed effect of advisor wellbeing rising with greater experience may be a version of “survivorship bias”.⁵ At the least, the rise in wellbeing is likely at least partially due to this phenomenon, as happier advisors tend to remain in their more-fulfilling jobs, and unhappy advisors tend to quit and leave the industry altogether. Over time, therefore, fewer unhappy advisors remain in the more-experienced groups to participate in wellbeing surveys, leading the data to skew in the direction of the comparatively happy “survivors”.

However, it’s unlikely the trend is due to survivorship bias alone. Instead, our research suggests there are a variety of other forces at play, which support the connection between experience and improved wellbeing. These forces are both direct and indirect in their influence.

One example of a direct influence is that experience often adds to an advisor’s confidence and capability in serving more affluent (and complex) clients. In this sense, being accomplished and having a reputation for mastery in your profession may have intrinsic rewards, in the form of greater self-esteem and wellbeing. As noted earlier, feeling appreciated and believing one’s work is worthwhile are especially correlated to advisor wellbeing. These feelings likely flourish with the ability to take on more complex, impactful, and remunerative clients with greater experience. In addition, our results show a direct linear relationship between the advisor’s experience and the average fees they generate from each client, as the advisor builds both their capabilities and the confidence to charge higher fees accordingly (which feeds back into feeling more appreciated for the higher level of work they’re doing).

⁵Survivorship bias describes the tendency to view a current sample as representative while ignoring those who may have dropped out of the sample in the past. In the case of our advisor sample, survivorship bias implies that greater wellbeing among experienced advisors is at least partially a result of a greater tendency for happy advisors to remain in the industry. Unhappy advisors may be more prone to make an early exit out of their roles to seek higher wellbeing in another occupation.

For an experienced advisor, wellbeing can also be directly enhanced simply by having an established client base. Less pressure to do business development, and more time to focus on clients, can be a major relief from the common anxiety among newer advisors to generate new business. For example, as shown in Figure 10 right, junior advisors with fewer than five years experience spend just 16% of their time with clients. This compares to 20% or more of a work week for more experienced advisors (Figure 10).

Figure 10: Practice Characteristics By Years Of Advisory Experience

| | Years Of Advisory Experience | | | |
|-------------------------------|------------------------------|--------------|--------------|--------------|
| Group Median | <5 Years | 5-9 | 10-19 | 20+ Years |
| AUM Per Advisor | \$21,000,000 | \$52,500,000 | \$75,000,000 | \$90,000,000 |
| Revenue Per Advisor | \$100,000 | \$260,000 | \$400,000 | \$500,000 |
| Income Per Advisor | \$95,000 | \$175,000 | \$280,000 | \$350,000 |
| Clients Per Advisor | 40 | 60 | 79 | 90 |
| Revenue Per Client | \$3,000 | \$4,054 | \$5,619 | \$6,036 |
| Advisor Income Per Client | \$1,875 | \$2,600 | \$3,573 | \$3,700 |
| Gross Margin* | 42% | 50% | 54% | 57% |
| Weekly Hours Worked | 43 | 44 | 40 | 45 |
| Share Of Time Meeting Clients | 16% | 20% | 21% | 20% |

*Advisor income as a share of client revenue

Indirectly, more experience correlates with greater income (which, in turn, correlates with greater wellbeing). Figure 10 above highlights the ability of more experienced advisors to manage more clients, assets, and revenue than those with less experience. Furthermore, experienced advisors are more efficient at turning the revenue they generate into increased take-home income. As a result, the income of a typical advisor with 20 or more years of experience is more than three times that of an advisor with less than five years of experience. (Further ahead, the relationship between advisor income and wellbeing is covered in more detail).

In addition, as advisors pass beyond 5, 10, and then 15 years of experience, those years of refining processes and services may result in a more systematized practice, which (combined with having more clients in established relationships who tend to have fewer ongoing service demands) allows the advisor to work fewer hours in the practice while maintaining a higher level of revenue. This appears to enhance wellbeing both from

the ability to maintain a healthy work/life balance (as a direct result of the fewer hours worked), and from the sense that their advice is appreciated and worthwhile (given the relatively higher revenue earned per hours worked). Notably, advisors with 20+ years of experience do show an uptick in hours worked and total clients, as many ultimately build small teams of support advisors and administrative staff around themselves to gain greater personal leverage to sustain a higher client load. Still, this associates with greater wellbeing as the personal productivity gained from team leverage results in even higher income relative to hours worked.

The clear caveat to the benefits of experience, though, is that like age, an advisor's level of experience can only change with time (that is, an advisor cannot do anything to change their level of experience other than simply wait to accumulate more experience). *Quality* of experience is more controllable, however. One advisor's five years of experience can be very different from another's in terms of the training, opportunities, and work environments they experience over that time. Advisors have a variety of options for accelerating the rate at which they can advance their capabilities and, in turn, more quickly advance to higher levels of wellbeing. Examples include working within a team of more experienced advisors, participating in mentoring programs, achieving advanced certifications, and playing an active role in professional organizations.

Similarly, it is notable that the correlation between experience and wellbeing holds true regardless of whether the advisor is an owner or employee of their advisory firm. This suggests that as advisors figure out which channels or business models work best for themselves, they then align themselves to the advisor role that best supports their own wellbeing. After reaching this point, other factors take on greater importance as drivers of wellbeing.

Credentials And Memberships

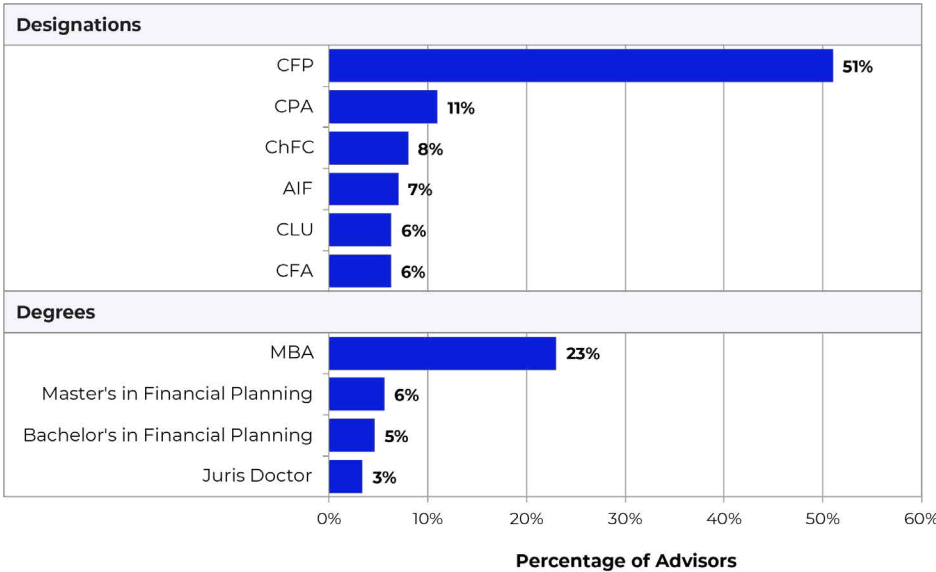
Achieving specialized degrees or certifications and participating in professional organizations are effective ways for advisors to gain additional expertise and credibility at a given level of experience. In the case of designations there is also a link to wellbeing. The typical Thriving advisor held two designations (defined as either a specialized degree or professional certification, such as CFP certification plus a Master's in Financial Planning, the CPA license, or being a CFA charterholder). The typical Struggling advisors held just one.

Across all respondents, Certified Financial Planner (CFP) certification was the most widely held credential of any type (Figure 11). About two-thirds of advisors (65%) were

CFP certificants. Nearly one-quarter of advisors held an MBA, the most common specialized degree.

CFP And MBA Are Most Popular

Figure 11: Designations And Degrees



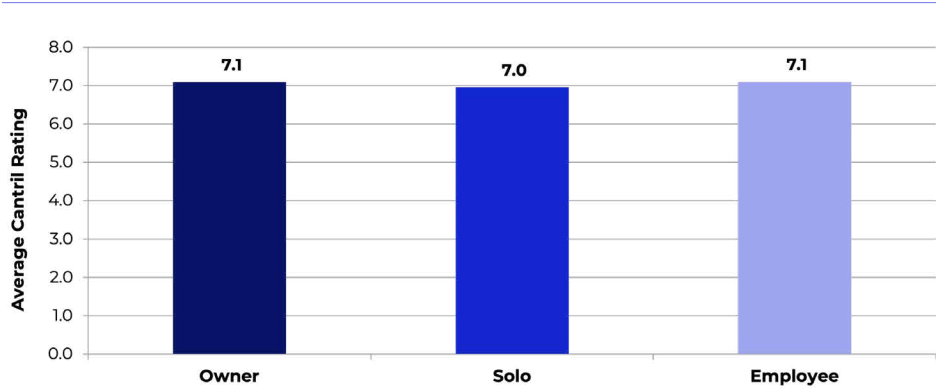
Unlike credentials, organizational membership had no clear correlation with wellbeing. The Financial Planning Association (FPA) was the most popular professional organization for advisors, with 40% being members. Nearly one in five advisors were part of National Association of Personal Financial Advisors (NAPFA), the only other organization to garner a double-digit percentage share.

Status In The Firm

Another aspect of “who you are” involves your status with the firm. Here we define status as either employee, owner, or “solo”. Solos are defined as advisors who work on their own without other partners or employee advisors. Owners may be either sole proprietors with employee advisors or partners with other owners. In terms of average Cantril ratings, wellbeing varies only slightly according to advisor status. Solo advisors, at 7.0, rate just below owners and employees, which each average 7.1 on the Cantril scale.

Solos Lag In Average Wellbeing

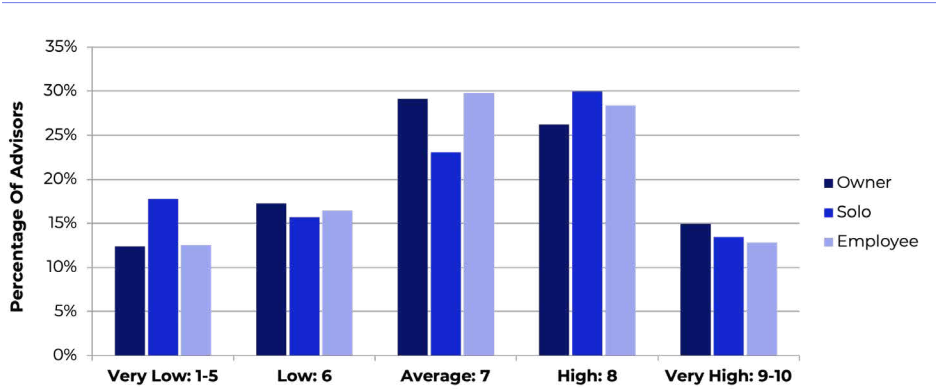
Figure 12: Wellbeing By Advisor Status



Further probing uncovers a more complicated story, however. The distribution of solos across the wellbeing spectrum is flatter relative to their peers. As a result, solo producers show a greater likelihood to be among the happiest, as well as least happy, advisors (while conversely being the least likely to experience “average” wellbeing).

Solos Distribution Of Wellbeing Is Flatter Relative To Peers

Figure 13: Distribution Of Wellbeing By Advisor Status



Specifically, by a wide margin, proportionately more solos qualify as Struggling in terms of reported wellbeing—18% of solos are in this group. By comparison, 13% of employee advisors, followed by 12% of owners, fall into the Struggling category. On the other end of the spectrum, however, solos also have the highest proportion of advisors with above

average wellbeing (Cantril rating of 8 or more). The shares of owner and employee advisors in this category are each 41% compared to 43% of solos.

Ultimately, though, these more extreme results are largely explained in terms of the career trajectory of a typical solo. Starting out as a solo tends to be more challenging, but once established, more rewarding compared to employee advisors or other owner/partners. We take a closer look at the solo advisor further ahead.

Motivations

As part of our effort to better understand how personality differences could impact advisor wellbeing, and whether certain advisor preferences could impact their enjoyment of a financial advisory career in the first place, we explored which factors motivated advisors to seek a career in financial services.

Respondents were asked to rate their level of agreement across 11 different potential motivations. Regardless of an advisor’s level of wellbeing, the top motivations were similar (Figure 14). Number one was the “desire to help or serve others”, a strong motivator for all advisors. Related, “desire to work with people” ranked third just behind “interest in personal finance”. Rounding out the top five were two interrelated motivations—“lifestyle flexibility” and “work/life balance”. Each was a strong motivator for nearly half of all advisors.

Figure 14: Top Motivational Factors For Seeking A Career In Financial Services

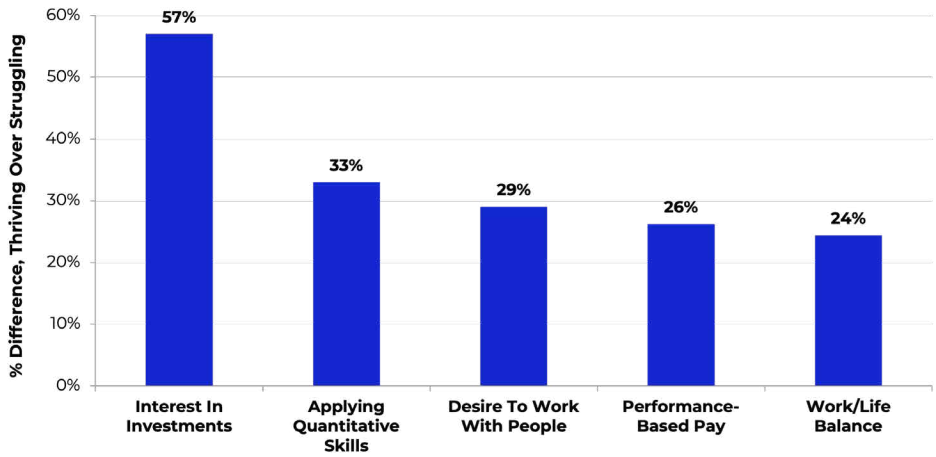
| Career Motivation | Share In Strong Agreement | | |
|------------------------------|---------------------------|----------|--------------|
| | Struggling | Thriving | All Advisors |
| Desire To Help/Serve Others | 71% | 81% | 75% |
| Interest In Personal Finance | 59% | 67% | 59% |
| Desire To Work With People | 48% | 62% | 58% |
| Lifestyle Flexibility | 50% | 51% | 48% |
| Work/Life Balance | 41% | 51% | 48% |
| Income Potential | 40% | 42% | 40% |
| Interest In Investments | 30% | 48% | 38% |
| Applying Quantitative Skills | 28% | 38% | 27% |
| Performance-Based Pay | 22% | 28% | 24% |
| Stable Paycheck | 20% | 8% | 13% |
| Prestige | 11% | 10% | 10% |

The first key difference for Thriving advisors was the intensity they expressed across nearly all of the motivations tested. For all but two of the 11 motivations, Thriving advisors were more likely to strongly agree that those factors were key to them entering the industry. Only for “stable paycheck” and “prestige” did Thriving advisors not have a greater likelihood than other advisors to strongly agree.

In addition, several motivations stood out for eliciting significantly stronger agreement from Thriving advisors than Struggling ones (Figure 15). The top distinction was “Interest in investments”, with Thriving advisors being 57% more likely than Struggling advisors to strongly agree this was a factor in beginning their financial services career. Another more technical aspect of an advisor’s work, “Applying quantitative skills” ranked second. Though notably, neither trait was a motivator for a majority of advisors (notwithstanding stereotypes about the investment-centric nature of the advisory business!).

Thriving Advisors More Likely To Be Motivated By The Technical Aspects Of The Job

Figure 15: Top Motivational Differences



These results suggest that, while the majority of advisors on the whole are drawn to the industry by an interest in people and personal finance, advisors who *also* have an above-average interest in the “non-people” (i.e., more technical) side of advisory work are more likely than their peers to achieve greater wellbeing.

Note that Thriving advisors were also 26% more likely to be motivated by performance-based pay. This is consistent with Thriving advisors being 60% *less* likely than Struggling advisors to have been motivated by a stable paycheck. On the other hand, “income potential” was not a significantly higher motivator for Thriving advisors, nor for a majority of financial advisors in the first place—suggesting again that most financial advisors are drawn to the business not for its income potential, *per se*, but for the opportunity to feel rewarded for one’s own performance (and by a willingness to take that risk by forgoing a stable paycheck)!

Wellbeing Factors: What You Do

Apart from the “who you are” demographics-driven qualities of financial advisors, “what you do” qualities also have a bearing on advisor wellbeing—and unlike many demographic factors, these attributes are more often under an advisor’s control. Accordingly, a closer look into the “what you do” factors highlight opportunities where advisors can take more proactive steps to improve their own wellbeing.

Work Performed

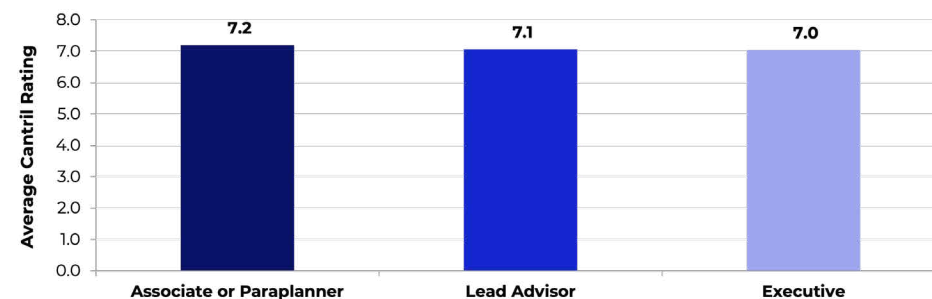
All survey respondents in the Kitces Research study on Advisor Wellbeing were required to have at least some advisory duties, but the level of responsibilities varied by their role.

“Executives” had few clients, with most of their time dedicated to management of the firm. “Lead” or “senior advisors” might have had some limited management duties, but were primarily responsible for managing the bulk of (or the more complex) client relationships, and for handling business development (i.e., bringing in new client relationships). The last role group is “Associate Advisors or Paraplanners”: individuals who may manage less complex client relationships and/or simply support other team members in advice delivery.

For these general roles, more responsibility actually correlates with slightly decreasing wellbeing (Figure 16). Executives report an average Cantril rating of 7.0, compared to 7.2 for associates or paraplanners. Wellbeing falling with responsibility rising may seem like a contradiction, given the positive correlation between wellbeing and experience. The likely lesson, however, is that the greater responsibility that tends to come with experience is more of a burden than a benefit. More experienced advisors may be achieving higher wellbeing along with increased self-esteem as they feel recognized and remunerated for their client work (as well as the greater level of income that tends to accompany experience). Whereas Executives, who tend to have less client-facing interaction, get fewer of the benefits from recognition that client-facing work brings.

Greater Responsibility Correlates With Lower Wellbeing

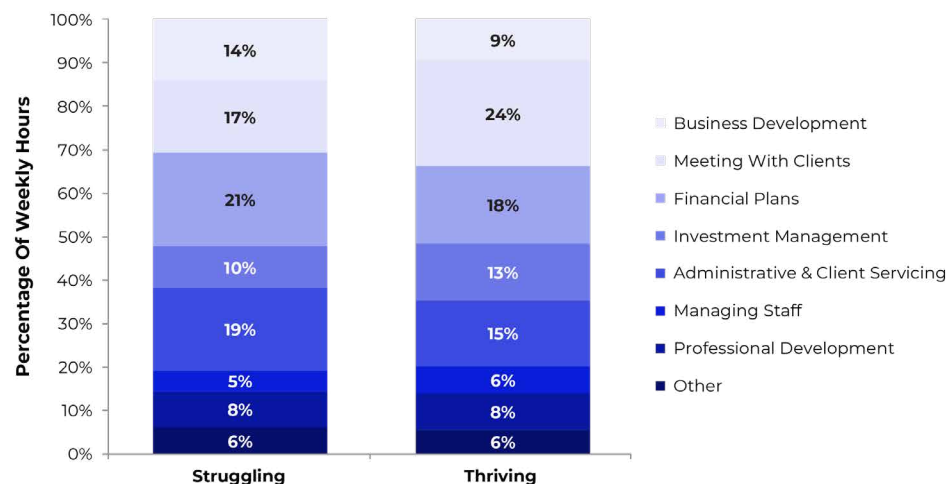
Figure 16: Wellbeing By Role



Beyond their role in the firm, the way in which advisors allocate their time offers additional detail into where their focus lies. Shown in Figure 17, the distribution of time across key activities for Struggling and Thriving advisors highlights some notable differences between the groups.

Thriving Advisors Devote A Greater Share Of Time To Meeting With Clients

Figure 17: Allocation Of Hours



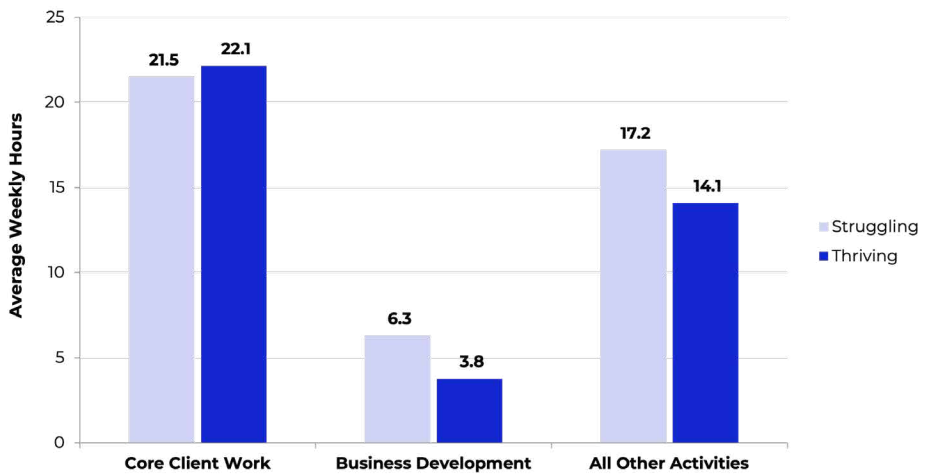
Thriving advisors are spending a significantly greater proportion of their time meeting with clients. Client meetings account for 24% of a Thriving advisor’s day, versus just 17% for Struggling advisors. The effect of the time distribution on advisor wellbeing shouldn’t be a surprise. Recall that among the motivations for advisors to pursue a financial career, number one was a desire for helping others. A desire to work with people ranked third. Thriving advisors are dedicating more of their workday to doing exactly what initially attracted them into the business!

In dedicating more time for clients, Thriving advisors are spending comparatively less time on business development, administration, and back-office client service tasks. While Thriving advisors allocate more time to investment management and less time to financial planning than Struggling advisors, the combined share allocated to these technical aspects of advice is the same for both groups.

In turn, though, note that a greater “share of workday” doesn’t necessarily equate to more hours worked. The median work week for Struggling advisors is 45 hours, compared to 40 hours for the typical Thriving advisor. After accounting for the difference in working hours, the time Thriving advisors spend on “core” client work (client meetings, plan development, and investment management) is roughly equal to the time spent by Struggling advisors, totaling about 22 hours (Figure 18).

Struggling Advisors Commit More Hours To Non-Core Activities

Figure 18: Total Weekly Hours, Direct Client Work And All Other Activities

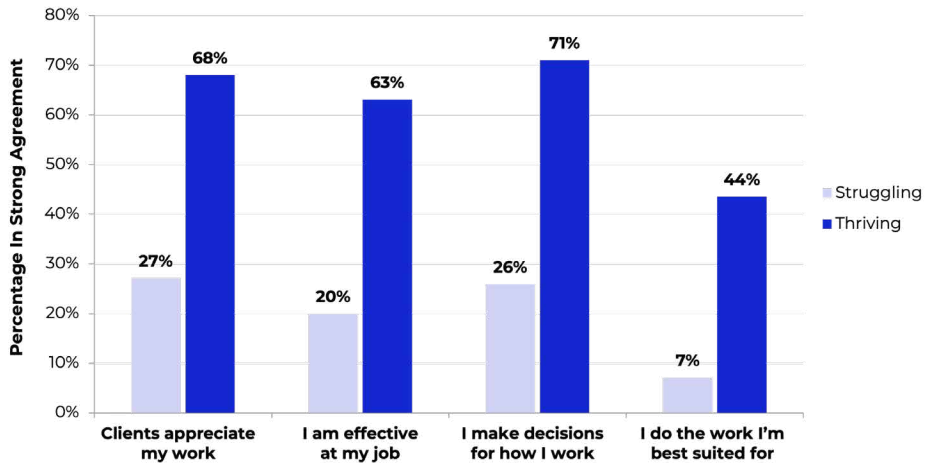


Likely due to having typically less-established practices, Struggling advisors spend 2.5 hours more per week than Thriving advisors on business development. However, supporting the clients they do have also results in Struggling advisors working additional hours, spending over three hours more per week on all other activities (most notably including client administrative tasks). In part, this reflects the classic squeeze that newer advisors face in growing their firms, with the business development pressure to grow, coupled with the demands of servicing a growing base of existing clients, putting increasing demands on the advisor’s time until they start to generate enough revenue to begin to hire additional help. Which in turn also suggests a tremendous opportunity for advisors to influence more positive wellbeing by hiring support as soon as they’re able to in order to limit time spent on these non-core activities (rather than waiting until their wellbeing suffers to the degree that they risk burning out and leaving the industry altogether).

How do advisors feel about the work they do? Do perceptions regarding work performed correlate with wellbeing? Across a variety of measures, wellbeing positively correlates with working in a role where you feel capable of doing quality work (Figure 19).

Feeling Good About Work Distinguishes Thriving Advisors

Figure 19: Perceptions On Work: Struggling Vs Thriving Advisors



Relative to Struggling advisors, roughly three times as many Thriving advisors are in strong agreement that they are effective at their jobs. They are also significantly more likely to say that clients appreciate their work.

It's easy to assume these results are due to Thriving advisors having more experience and that becoming more effective is simply a matter of gaining more experience. This isn't necessarily the case, however, given that comparatively few Struggling advisors make decisions for how they work, and even fewer still claim they are doing the work they are best suited for—factors that are less easily to explain by a lack of experience.

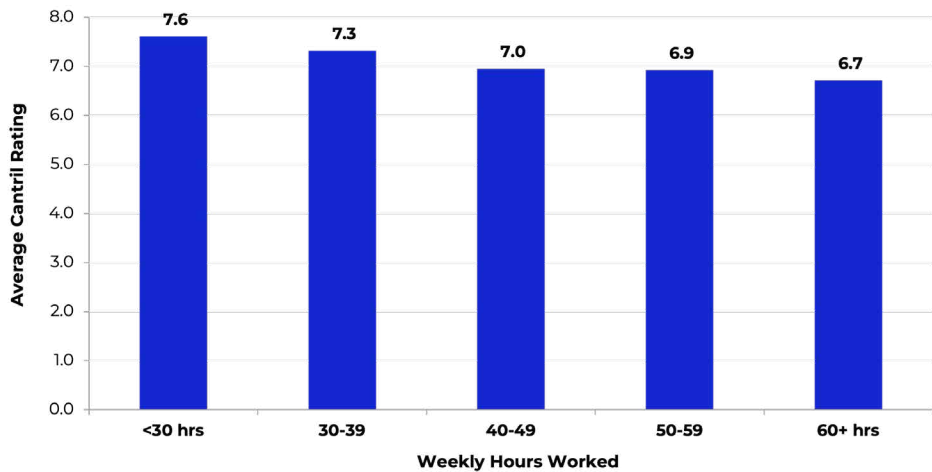
Rather than a lack of experience creating doubt about their worth in the workplace, Struggling advisors don't appear to be working in the areas they feel are most worthwhile. Once again, this further demonstrates the strong ties between wellbeing and doing the right type of work—work that an advisor enjoys and work that makes the most effective contribution to the success of the practice.

Time Spent Working

Amount of time spent working is another important aspect of “what you do”. Not surprisingly, there are strong ties between working hours and wellbeing, with wellbeing steadily declining as hours worked increases (Figure 20). As previously noted, the typical Thriving advisor works just 40 hours a week, 9% fewer hours than a Struggling advisor.

Wellbeing Declines With Increasing Weekly Hours

Figure 20: Wellbeing By Weekly Hours Worked



In addition to a longer work week, Struggling advisors are also taking less vacation, just 15 days on median compared to 25 days for Thriving advisors. Further, less than half of Struggling advisors (47%) feel they can take leisure time off without stress, compared to 82% of Thriving advisors taking stress-free vacations.

Overall, the connection between working hours and wellbeing provides additional evidence that getting “behind the curve” on hiring may be an especially sizable detriment to advisor wellbeing. As it's the hours of work that are purely dependent on the advisor – and haven't been delegated – that appear to most greatly influence wellbeing. The impacts extend from the advisor's ability to go home earlier each day (and work fewer hours) to their ability to take vacations (without feeling like they're still tied to servicing clients from the beach)!

Workload

While hours worked measures what advisors put into their jobs solely in terms of time, workload reflects time invested as well as effort per hour. The study uses revenue generated, clients served, and assets managed as proxies for advisor workload. Upon first impression, Thriving advisors are taking on much more by any of these measures (Figure 21). This holds true despite Thriving advisors putting considerably less time into their jobs.

Figure 21: Workload: Struggling Vs Thriving Advisors

| Group Median | Struggling | Thriving |
|---------------------|--------------|--------------|
| AUM Per Advisor | \$19,375,000 | \$88,750,000 |
| Revenue Per Advisor | \$127,500 | \$500,000 |
| Clients Per Advisor | 31 | 76 |

The gap in workload reduces considerably, however, when controlling for advisor experience. Again, a significant number of advisors Struggling with their wellbeing are simply in the more-difficult early years of their careers. Below are the workload metrics for independent owner/advisors with 10 or more years of advisory experience. In this comparison, highest wellbeing advisors are managing slightly more clients but generating 50% greater revenue. Assets under management are identical.

Figure 22: Workload: Less Well Vs Most Well

| Group Median | Less Well | Most Well |
|---------------------|--------------|--------------|
| AUM Per Advisor | \$80,000,000 | \$80,000,000 |
| Revenue Per Advisor | \$400,000 | \$600,000 |
| Clients Per Advisor | 80 | 85 |

When controlling for experience, advisors with greater wellbeing are generating significantly (41%) more in revenue *per client*, and commanding higher fees for their advisory engagements, while as noted earlier working fewer hours.

This implies an outright improvement in the advisor's wellbeing as productivity improves. However, it's not as clear whether this group achieves their greater wellbeing by hiring and leveraging a team to *do more* for clients (earning greater fees with additional services that the advisor themselves doesn't have to deliver), or if it may simply be the result of having greater pricing confidence (and just outright charging more for their time and services).

Figure 23: Measuring Wellbeing Across Revenue Ranges

| Revenue Range | Share Of Advisors According To Cantril Rating | | Average |
|------------------|-----------------------------------------------|----------|---------|
| | Struggling | Thriving | |
| <\$125k | 21% | 9% | 6.7 |
| \$125k - \$249k | 11% | 8% | 7.0 |
| \$250k - \$499k | 9% | 14% | 7.2 |
| \$500k - \$749k | 9% | 16% | 7.4 |
| \$750k - \$999k | 8% | 13% | 7.4 |
| \$1.0M - \$1.49M | 8% | 19% | 7.5 |
| \$1.5M - \$1.99M | 2% | 11% | 7.3 |
| \$2.0M+ | 13% | 25% | 7.5 |

More broadly, though, an advisor's wellbeing shifts as their business grows (Figure 23). With growth, the advisor's workload increases in terms of number of clients, but then begins to scale as the advisor hires team members to delegate to.

However, advisor wellbeing dips as certain capacity walls are reached, with dips in the number of Thriving advisors particularly evident from \$750k to \$1M and from \$1.5M to \$2M in revenue.

These dips in the frequency of Thriving advisors reflect the reality that the progression of an advisor's business is rarely linear. Each wellbeing decline typically represents a challenge where an advisor reaches capacity limitations and experiences pain points and bottlenecks that heighten anxiety. Once those hurdles are overcome, wellbeing accelerates (before declining again as another obstacle emerges).

For instance, advisory firms on average tend to hire a first administrative or client services associate by the time they reach \$250,000 of revenue and/or 50-75 clients. Those that do not hire staff support experience a capacity constraint, and rising work hours, as the number of clients continues to grow. Stress grows as well until eventually a hire is made, and subsequent delegation relieves the pressure.

Similarly, an associate or service advisor is typically necessary by the time a firm reaches \$750,000 to \$1M of revenue (when the advisor is managing 75-100+ client relationships). By \$1.5M of revenue, firms typically need to hire a second lead advisor, and often an Operations Manager as well to handle the additional complexity that comes with the larger team. Figure 24 provides some typical examples of hiring thresholds by revenue range.

Figure 24: Wellbeing Impacted By Key Hiring Challenges At Various Revenue Ranges

| Revenue Range | Hiring Need |
|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| \$125k - \$499k | First hire in the form of an administrative assistant or client services associate |
| \$750k - \$999k | Another advisor, likely an associate |
| \$1.5M - \$1.99M | Dedicated management is needed as founders are no longer capable of managing client relationships and an increasingly larger firm. Lead advisor may be needed as well to provide further business development support. |

On the other hand, it's notable that the proportion of Struggling advisors steadily declines as advisory firms grow, suggesting that while Thriving and Struggling advisors alike tend to sometimes struggle with capacity walls, growing to the point that there is at least *some* team infrastructure does help distribute the load on individual advisors, and steadily reduces the frequency of the unhappiest (Struggling) advisors.

However, our data on the largest advisors suggests that beyond a certain level of scale, the greater overall complexity of a firm and the clients it serves does become more challenging for a material subset of advisors. For example, firms with at least \$2M in revenue also have a substantially higher frequency of Struggling advisors (13%), second only to the frequency of Struggling advisors at firms where revenue is less than \$125,000! In other words, a non-trivial subset of advisors may actually grow to a point where the complexity of the business makes them *unhappy* (even as their clients, team, and revenue grow).

Wellbeing Factors: Where You Work

Where you work, like what you do, doesn't have to be permanent. Workers may be able to influence change in their workplaces from within. If not, they have the freedom to find a new and more suitable place of work. Whether done internally or externally, advisors can create additional opportunities for raising wellbeing by implementing a workplace change.

The nature of change needed depends upon how workplace factors uniquely influence wellbeing for a specific advisor. To assist advisors in plotting their own custom course for change, several potentially influential workplace characteristics are examined for their effects on advisor wellbeing ahead.

Firm Development Stage

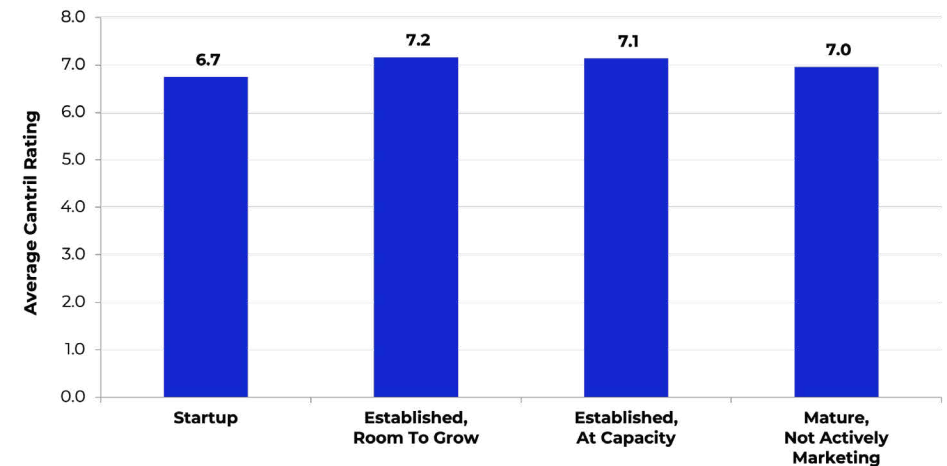
Depending upon where a firm resides on the development spectrum from the early startup phase to the established mature enterprise, the composition of work, the level of workplace stress, and breadth of career opportunities can vary widely. These factors all can play prominent roles in influencing advisor wellbeing.

Among the advisors responding to the Kitces Research survey, the most typical firm lifecycle stage was an established firm that was approaching capacity but still able to accommodate growth. Over half the respondents (54%) worked in such a firm. Another 19% of advisors worked in established firms that were at capacity and unable to accommodate growth without additional resources. Remaining advisors were distributed roughly equal across startup and mature firms. Coincidentally, firms in the startup and mature phases are also associated with lowest advisor wellbeing (Figure 25).

As shown, advisors at startup firms have especially low wellbeing, with those advisors showing an average Cantril rating of 6.7, compared to 7.0 or more for those at other firms. Work at a startup can be exhilarating in terms of the potential opportunities that lie ahead. Yet the environment at startups can be high on stress as well: Achieving profitability requires a substantial business development effort, resources are thin, and the advisor must often wear multiple hats since there may be few (or no) other employees to share the workload.

Lower Wellbeing Associated With Younger And Older Firms

Figure 25: Wellbeing By Development Stage Of Advisor's Firm



In contrast, while the environment at mature firms may feature more stability and less stress, career advancement opportunities for advisors at these firms are often limited. The lack of opportunity for future growth is notable, given that advisors disproportionately indicate that their wellbeing is tied to their ability to be rewarded for their additional efforts with greater upside potential in the future. Which helps to explain at least a small drag in wellbeing at these firms.

In turn, it's not surprising that advisors with the highest level of wellbeing tend to work at established firms that still have capacity for growth. This lifecycle stage is the "sweet spot" where firms have gotten through the hard years of building a base of business that supports profitability, yet the firm is still well-positioned to capture future opportunity due to available capacity. Again, the relationship between advisor wellbeing and firm or practice capacity comes through clearly when examining firms at different lifecycle stages.

Industry Channel

The channel affiliation, or business model, of the advisor's firm can also influence wellbeing. Working conditions can vary widely by channel. Differences include the level of resources and support shared with the advisor, the degree of flexibility regarding how clients are served and charged, the potential for ownership, and the advisor's compensation structure and employment status. All of these factors can affect wellbeing differently depending upon the specific advisor.

Across all advisors, those with the highest wellbeing work in the independent broker-dealer (IBD) channel. IBD advisors, the most likely to be classified as Thriving, also report the highest average Cantril rating, at 7.4. Bank/trust advisors follow closely behind at 7.3. Advisors working in other channels lag much farther behind (Figure 26).

Figure 26: Average Cantril Ratings By Industry Channel And Years Of Experience

| Channel | All Advisors | Years of Advisor Experience | | |
|------------|--------------|-----------------------------|---------|-----|
| | | < 10 | 10 - 19 | 20+ |
| RIA | 7.0 | 6.6 | 7.4 | 7.6 |
| Hybrid | 7.0 | 6.7 | 7.0 | 7.9 |
| IBD | 7.4 | 6.7 | 7.6 | 8.0 |
| W2 Brokers | 7.0 | 6.6 | 6.8 | 7.6 |
| Bank/Trust | 7.3 | 6.6 | 7.2 | 7.9 |

Differences in wellbeing become more distinct when accounting for advisor experience. As previously addressed, typically the more experienced the advisor, the greater their wellbeing. Filtering advisors by channel, however, shows wellbeing increasing at different rates.

Below 10 years of experience, advisors face wellbeing challenges regardless of their channel. All are relatively new to the profession, short on income, and feeling pressure to develop business and expand their expertise. Consequently, wellbeing ratings average just 6.6 or 6.7 for less experienced advisors depending upon the channel, showing remarkably little variability amongst the channels themselves.

The gaps in wellbeing across different channels then expand with experience. At 20 years or more of experience, average advisor wellbeing for IBD advisors increases by 20% relative to the least experienced advisors, and is higher than any other channel. The trajectory across experience is roughly similar for bank/trust and hybrid advisors. In contrast, RIA advisors and "W2 Brokers" (salaried brokerage professionals) lag behind the other channels in the advancement of wellbeing with experience. Both of these channels show just 15% growth in wellbeing, when comparing least experienced to most experienced advisors.

Growing advisor preferences for flexibility and stability over time might explain the divergence in wellbeing. The IBD and hybrid models, for example, offer a great deal of flexibility in terms of how advisors can structure their practices, far more so than W-2 brokers at regional broker-dealers and national wirehouses.

In addition, relative to those working in other channels, independent advisors working at broker-dealers may also have access to more support resources through their broker-dealer affiliation, improving stability. As advisors grow in their experience, having such a combination of flexibility and stability becomes increasingly valued and thereby contributes to greater wellbeing.

On the other hand, the pure RIA channel arguably may have 'too much' flexibility, as the reduced infrastructure support for RIAs – relative to the platforms of independent broker-dealers and the increasingly common super-OSJ support structure – requires RIAs to continue to have to build 'everything' for themselves, even as they become more established and experienced. In other words, advisors at IBDs and hybrids gain an ability to better leverage the infrastructure of their broker-dealer platforms as they gain experience, while RIAs don't have any such platforms to rely upon. This suggests that opportunities may exist for RIA platform providers to offer a more structured environment to assist RIA advisors in dealing with advanced-career challenges.

By contrast, the bank/trust channel is particularly known for stability—advisors are often salaried employees with lengthy tenures at the same employer. In exchange for this they trade off the flexibility and independence of other advisor channels. Having this kind of stability appears to increasingly correlate with wellbeing for a certain segment of advanced-career advisors who self-select into this channel.

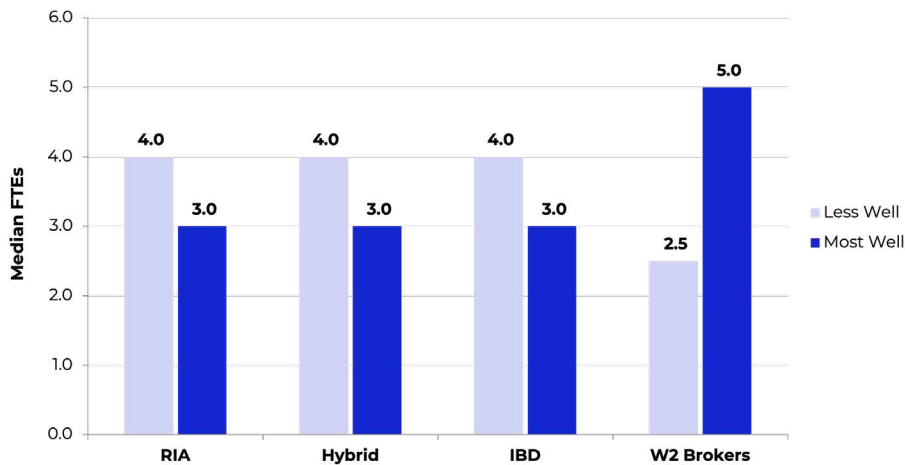
Characteristics Of The Advice Team

Another key aspect of the advisor’s workplace is the nature of the service team that provides advisory services for clients. Teams can vary in terms of their size as well as their composition and the degree to which they might interact with other teams. Correlations between team characteristics and advisor wellbeing are generally restricted to select circumstances.

The typical size of an advisor team, including the advisor, is three full-time equivalents (FTEs). Across all advisors, team size shows no clear correlation with advisor wellbeing. Distinctions do emerge by channel, however. Within most channels, smaller team sizes correlated with higher rates of wellbeing. Median team size was 4.0 for Less Well advisors, compared to just 3.0 for Most Well in the RIA channel. Results are similar for the hybrid and IBD channels.

Happiest W2 Brokers Are In Bigger Teams

Figure 27: Team Size By Channel: Less Well Vs Most Well



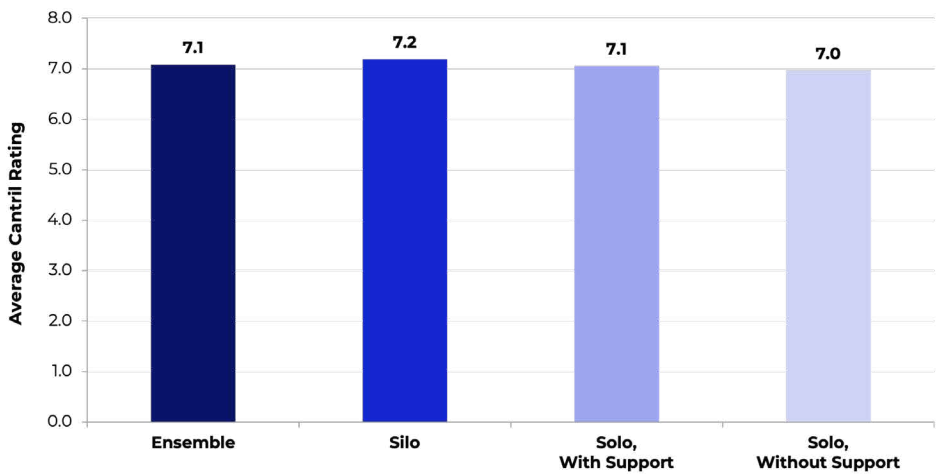
W2 brokers are an exception, however. Team size for the typical Less Well W2 broker is 2.5 FTEs, or half that of the five team members Most Well brokers work with. The key difference for teams associated with Most Well W2 brokers is the tendency for a lead advisor to work in tandem with an associate advisor. The Most Well broker enjoys the same amount of support as other teams in terms of the non-advisors/advisor ratio.

Across all advisors in our Kitces Research study, the greatest share, 42%, worked within an ensemble structure. Ensembles consist of multiple advisors pooling all resources and profits, while delivering services in a consistent manner. The share of advisors in ensembles remains roughly constant across varying levels of wellbeing. By channel, however, the IBD channel shows ensembles having a positive correlation with wellbeing, while a negative correlation is evident for hybrid advisors.

The silo structure, where advisors or advisor teams are part of a larger firm or platform but maintain their own distinct client base as well as associated profits, more positively correlates with wellbeing. While 19% of Thriving advisors work in silos, just 12% of Struggling advisors do. Silos also have the highest average Cantril rating across our four team structure models (Figure 28).

Silo Team Structure Correlates With Greater Wellbeing

Figure 28: Wellbeing By Team Structure



While advisors share resources under both the ensemble and silo service structures, they do not necessarily share the same vision for serving clients. Could shared resources, in combination with sole discretion for service strategy, be what drives comparatively higher wellbeing for silo advisors?

Two different solo structures—with support and without—round out the other team structures tracked in the study. Wellbeing for supported solos was in line with ensemble advisors. The supported solo structure is the most prevalent among Most Well W2 brokers.

Clients The Firm Serves

Where you work frequently dictates the type of clients served, but do client characteristics affect advisor wellbeing?

Most apparent in our Kitces Research results is a positive correlation between wellbeing and the affluence of an advisor's clients. Whether size is measured in terms of client net worth or investable assets, Thriving advisors serve bigger clients. By both measures, clients of Thriving advisor were nearly twice as large compared to those of Struggling advisors (Figure 29).

Figure 29: Thriving Advisors Work With Bigger Clients

| Client Median | Struggling | Thriving |
|-------------------|-------------|-------------|
| Net Worth | \$1,200,000 | \$2,000,000 |
| Investable Assets | \$600,000 | \$1,000,000 |

While there may be a certain amount of satisfaction in serving bigger clients per se, bigger clients are more likely to support wellbeing indirectly. Large clients tend to have more complex problems and higher financial stakes, which leads to greater remuneration for the services of an advisor, which in turn drives higher revenue per client and per hour worked for the advisor. This allows for greater advisor income with fewer clients, all of which were previously shown to strongly correlate with wellbeing (detailed further ahead as well).

That said, beyond a certain level of revenue, the happiest advisors may trend toward smaller clients. For example, narrowing on advisors with \$1.5 to \$1.99m in revenue reveals that Most Well advisors are actually serving smaller clients (Figure 30).

Figure 30: Client Sizes Of \$1.5M To \$1.99M Advisors: Less Well Vs Most Well

| Group Median | Less Well | Most Well |
|-------------------|-------------|-------------|
| Net Worth | \$3,500,000 | \$2,000,000 |
| Investable Assets | \$1,750,000 | \$1,500,000 |

One likely reason for this turnabout is that while really large clients can correlate with greater revenue, they also represent significantly greater service complexities and tend towards substantially higher service demands. The service challenges, in turn, may be dragging down productivity and profitability, as well as advisor wellbeing.

Regarding other client characteristics, over half of advisors (53%) report that their practices serve a client niche. Just 38% of all advisors, however, claim that the majority of their clients fit within a niche. Across all advisors, wellbeing shows some correlation with serving niche clients. For example, while nearly half of Thriving advisors (47%) have 50% or more of their clients fitting within a niche. This compares to just 37% of Struggling advisors.

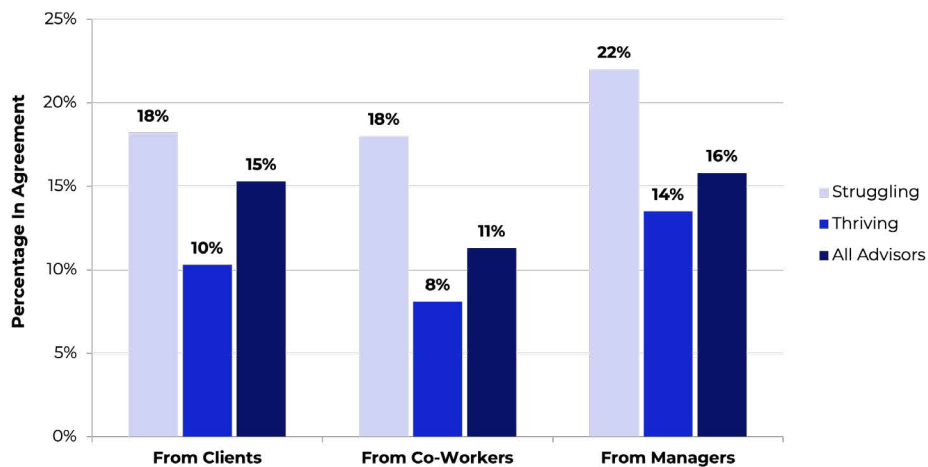
Surprisingly, among only those advisors with ten or more years of experience, there is no evidence of a correlation between wellbeing and adhering to niche clients. This suggests that niche discipline helps lift happiness in an advisor's building phase—it's easier and less stressful to market to and serve a more homogenous group of clients. But once an advisor is established and earning a sustainable level of revenue, catering to a niche client base may lose its importance to maintaining wellbeing. This is because the advisor has already reached a 'satisfactory' level of business economics.

Discrimination

Discrimination is another important, but often overlooked, workplace characteristic. Unfortunately, a significant minority share of advisors reported experiencing workplace discrimination, either from clients, co-workers, or managers. Most prevalent is discrimination from managers, which 16% of advisors reported experiencing (Figure 31). Notably, discrimination from clients was almost as commonly reported as discrimination from managers.

More Than One In Five Struggling Advisors Experiences Discrimination

Figure 31: Discrimination Experienced: Struggling, Thriving, And All Advisors



Struggling advisors, in comparison to Thriving advisors, were much more likely to claim discrimination. More than one in five Struggling advisors felt they had been discriminated against by managers. The greatest percentage difference relative to Thriving advisors, however, was in discrimination from co-workers; discrimination from co-workers was more likely to be associated with advisors Struggling than Thriving.

Unsurprisingly, minorities are more apt to report discrimination, in particular discrimination from managers. While 19% of minorities faced manager discrimination, only 15% of non-minorities did. Despite the greater discrimination, though, minorities tend to enjoy the same level of wellbeing as non-minorities.

Women, however, generally did not report higher levels of discrimination than men, whether it was from clients, co-workers, or managers. This is consistent with similar levels of wellbeing across genders.

Wellbeing Factors: How You Are Paid

“How you are paid” comprises our fourth and final perspective on what influences advisor wellbeing. Aspects of pay include how revenue is collected from clients, the income an advisor generates from that revenue, and the structure for how this income is paid to the advisor. All these factors show correlation with wellbeing; many are significantly correlated.

Primary Revenue Source

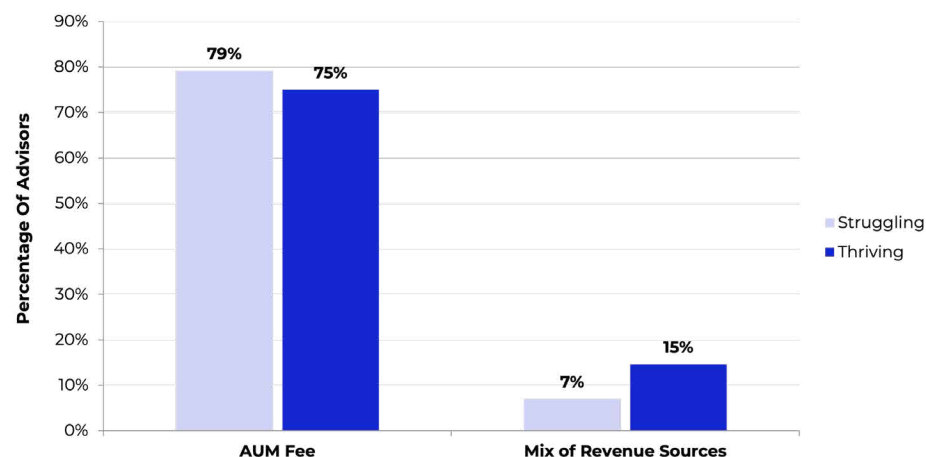
Advisors reported charging clients under a variety of pricing schemes including commissions, retainers, and hourly or project-driven fees, as well as the traditional AUM-linked model. Across all respondents, just over three-quarters reported that they collected the bulk of their client revenues (70% or more) from an AUM fee.

For independent advisors especially, tying charges to a percentage of assets managed has been the predominant revenue source for decades. In recent years, however, the AUM fee has faced mounting criticism, primarily due to its limitations in fully aligning the cost of service with what clients pay. And if advisor wellbeing is any indication, the criticism is warranted—and a move away from asset-linked charges looks to be getting underway. Beyond it being a sound business strategy, lessening dependency on the AUM fee also appears to make advisors happier.

While reliance on the AUM fee shows a slight negative correlation with advisor wellbeing, a clearer positive correlation exists between wellbeing and applying a mix of revenue sources. Just 7% of Struggling advisors relied on a mix of revenues sources. At 15%, this share was more than double for Thriving advisors (Figure 32).

Thriving Advisors More Apt To Rely On Mix Of Revenue Sources

Figure 32: Primary Revenue Source: Struggling Vs Thriving Advisors



Why are multiple revenue sources more closely associated with Thriving advisors? Advisor wellbeing strengthens when every client pays the full worth of value provided, something that isn't always feasible under a strict AUM charge. Wellbeing suffers when advisors force clients to fit a revenue model that doesn't suit the services (and value) provided. Tailoring a pricing structure for better alignment not only yields a better outcome from a profitability standpoint but is also more personally satisfying for the advisor.

Achieving better wellbeing through revised pricing isn't just about moving away from the AUM-linked fee, however. After all, advisors can try to round out their compensation – particularly for clients that don't fit the AUM model – with either commission-based products, or alternative financial planning fee models (e.g., hourly, project, or subscription fees). And it turns out that the composition of the revenue mix does matter, with the inclusion of commissions often being associated with lower wellbeing.

For example, across all respondents 40% of advisors received some level of commissions, although just 3% of advisors in our study relied on commissions as a primary revenue source. Not surprisingly, the greatest share of advisors that are commission reliant, 14%, reside in the IBD channel. Within IBD advisors, however, those Most Well are more likely to be AUM fee-reliant and less likely to be dependent upon commissions.

The uncertainty of commission-based revenue appears to be taking its toll. Across all our survey respondents, advisors with commissions being at least some part of their revenue mix tended toward lower wellbeing, bucking the general trend that advisors with mixed revenue models tended to have greater wellbeing. This wellbeing gap was even more pronounced when filtering on experienced advisors with 10 or more years in the profession. Most likely the correlation between commissions and lower wellbeing is due to commissions lacking both stability and scalability. After all, commission business is transactional, with an advisor always needing another trade or sale to grow (or even just maintain) practice revenue. In contrast the AUM fee revenue model, in generating a more recurring stream of revenue, more readily allows an advisor to scale to increasingly higher levels of income over time.

In fact, it's notable that nearly half of all advisors (48%) who were strongly motivated by income potential reported receiving commissions (compared to just 32% of other advisors) – which is not entirely surprising given the classic financial motivation of commission-based compensation. Most Well income-motivated advisors, however, had no greater tendency toward commission business, instead finding that in the long run the best way to scale their income was actually moving *away* from commissions and scaling a fee-based business instead. (Though notably, our results did show a small segment of advisors who truly appear to enjoy the ‘thrill of the hunt’, with a heavy focus on commissions, and who were Thriving with their commission-based firm.)

At the other end of the spectrum, Most Well advisors motivated by stable paychecks were also significantly more likely to be AUM fee-reliant, given the overall stability of the AUM charging model and its base of high-retention recurring revenue clients. In other words, whether advisors were seeking stability or scalability, the AUM model was more consistently associated with Thriving advisors than commission-based compensation.

That said—from the impact of a bear market on top-line revenues, to the difficulty in fully aligning costs to the revenue generated from each client—pricing based on AUM is not entirely without stability challenges. The growing popularity of subscription-based fee models in recent years, and the broader shift towards more mixed-revenue models, is a likely result of demand for an even greater level of stability. Furthermore, subscription fees represent another avenue for fully capturing the cost of services provided and enhancing advisor wellbeing as a result.

Income Generation

With revenue in hand, how effective advisors are at converting this revenue into “take home” income is another attribute that tracks closely with wellbeing. We measure this in terms of an advisor’s “gross margin”—advisor income divided into revenue managed.

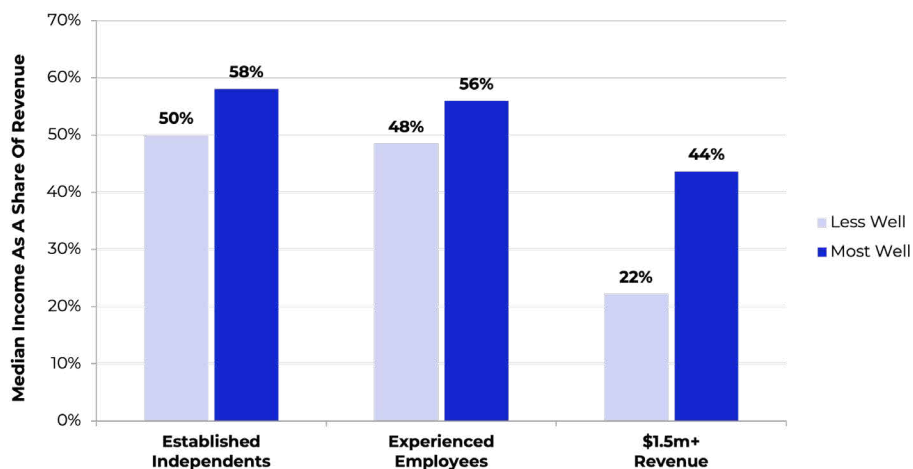
In fact, the positive correlation between gross margin and wellbeing is among the strongest across the survey data. For Thriving advisors, the median gross margin is 56%, 17 percentage points higher than Struggling advisors at 41%.

Some of this gap, but not all, can be explained by experience differences. As previously discussed, Thriving advisors tend to be more experienced. More experienced advisors are often more effective at generating revenue from client relationships and converting this revenue into income. The gross margin advantage compresses some when adjusting for experience but is still material.

Figure 33 highlights three different groups of more advanced advisors. The first two groups are distinguished based on experience. “Established Independents” are independent, with at least ten years advisory experience, and own their firms or practices. “Experienced Employees” also have ten years or more experience, but includes only employee advisors who may work under a variety of business models. As shown, for each of these experienced advisor groups, the gross margin for the typical Most Well advisor outperforms the Less Well advisor by eight percentage points.

Most Well Advanced Advisors Achieve Higher Gross Margins

Figure 33: Gross Margin, Select Advanced Advisor Groups: Less Well Vs Most Well



Most interesting is the third group shown in Figure 33, comprised of all advisors with \$1.5 million or more in annual revenue. No restrictions are placed on experience (though they tend to be more experienced, if only given the number of years it takes to achieve \$1.5M+ in revenue). While gross margins at higher levels of revenue tend to be lower due to the greater staff infrastructure, within this group, margins for Most Well advisors are double those of the Least Well.

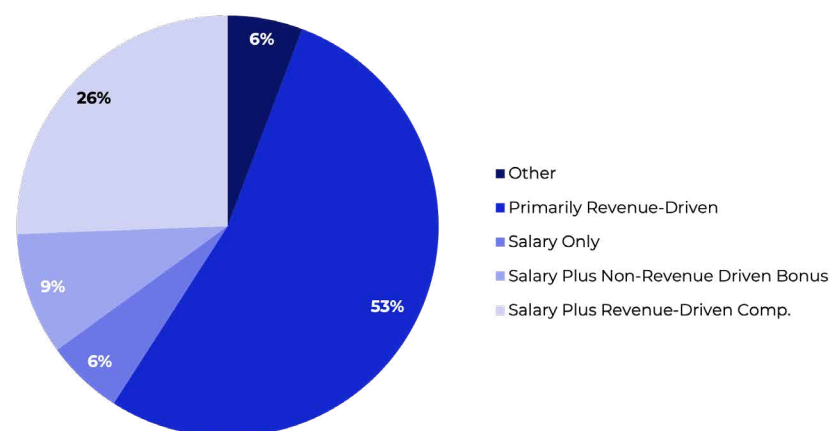
In other words, our results suggest that as advisors continue to try to scale up their revenue, a divergence occurs as firms reach a complexity wall above \$1.5M of revenue. Advisors who are skilled at hiring and training and managing team members run highly profitable firms and experience a greater sense of wellbeing as their income rises. Concurrently, a subset of advisors who struggle at building and managing teams experience rapidly deteriorating margins, and a concomitant decline in wellbeing as their revenue rises. At this development stage especially, a more targeted client base and better-defined workflows, combined with more specialized support and leveraging the right technologies that limit the need for support personnel in general, are increasingly important for maintaining profitability *and* advisor wellbeing.

Pay Structure

One of the more obvious aspects of “how you are paid” is the composition of an advisor’s compensation. Over half of advisors (53%) are paid under a structure that is primarily revenue-driven. Another 25% of advisors are paid a salary as well as a revenue-driven bonus. Across all respondents, no clear correlation exists between the structure of pay and advisor wellbeing.

Compensation For The Majority Of Advisors Is Primarily Revenue Driven

Figure 34: Advisor's Pay Structure



Here again, however, pay structure is another factor that can become influential to wellbeing depending upon the advisor’s situation. Trends emerge within certain advisor groups that suggest advisors ‘self-sort,’ raising their wellbeing by gravitating toward pay structures that they personally find more favorable.

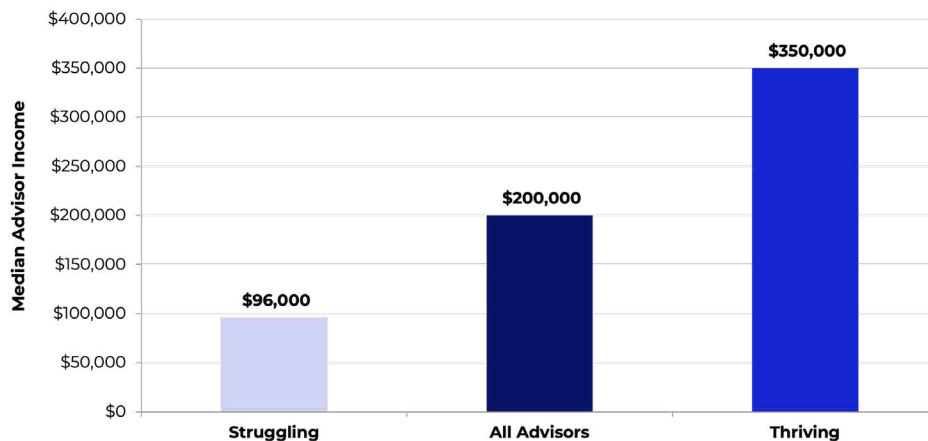
For example, among advisors motivated by a stable paycheck, those who are Most Well are more likely to be under a combined salary with revenue-driven compensation structure. The opposite is true for solo advisors, with more Most Well solos paid under a primarily revenue-driven structure. Most Well Hybrid and RIA advisors are also more likely to primarily receive revenue-driven pay.

Level Of Income

Of all the “how you are paid” aspects, none may be more closely aligned with wellbeing than how *much* an advisor is paid. As advisor wellbeing increases, income rises consistently as well. Median income across all survey respondents was \$200,000. In comparison, the typical Struggling advisors earned just \$96,000, while the median for Thriving advisors was more than three times greater at \$350,000 (Figure 35).

Wellbeing Rises Consistently With Income

Figure 35: Advisor Income By Wellbeing



The greater income for Thriving advisors is consistent with the much greater revenue they manage, in combination with the higher margins earned on this revenue. But does it mean advisors are enjoying greater wellbeing by earning higher income?

While the correlation doesn't necessarily imply causation, it's not hard to argue income does contribute to greater wellbeing. Most advisors set growth goals, including ambitions for achieving certain levels of income. Mapping a growth strategy, then working hard to successfully achieve the objectives set, can be personally fulfilling and contribute to greater wellbeing.

Conversely, as previously discussed, greater wellbeing can also facilitate better business performance including income growth. Advisors who feel good about themselves and their capabilities are more confident in their work with clients. This confidence helps

the advisor propel business development, attract more complex clients, and command premium pricing.

In sum, causation most likely goes in both directions, creating a virtuous cycle where wellbeing drives increasing income and greater levels of income further support stronger wellbeing.

However, as noted earlier, growth in advisor *revenue* is not as directly connected to rising wellbeing as growth in *income*. This suggests that there is a threshold where advisors obtain the 'maximum' revenue they can individually produce, and at that point must decide whether to continue to pursue greater revenue and scale (and the complexities that scaling entails) or remain at their 'peak' wellbeing as a high-income solo advisor.

Finding Happiness Under Any Scenario

Applying the four perspectives of influence reveals a host of factors potentially influencing advisor wellbeing. While the bulk of our discussion uncovered trends that hold true across all advisors, we also learned that there are often exceptions to these general relationships with wellbeing. It cannot be denied that, while they may vary in number, advisors with high wellbeing can exist across a variety of settings and characteristics.

In part, this is likely due to the fact that advisors themselves tend to be much more likely than the general population to set their own goals and have the self-efficacy to achieve them, persevering outright despite the adversity. At the same time, advisors over time also have the opportunity to make changes to their businesses and firm affiliations to 'self-sort' into the channels, business models, and fee structures that most align to their own wellbeing-created preferences.

To better convey how advisors can find happiness regardless of their present circumstances, our review concludes here with a more in-depth examination of advisors that are 'bucking the norm.' Our focus is on the following questions:

- How are some advisors finding happiness in settings that generally correlate with lower wellbeing?
- Why are other advisors unable to find happiness in settings that correlate with greater wellbeing?

To gain a greater understanding, we look deeper into a sampling of different advisor groups. Each group is further separated according to advisors' Cantril rating. "Most Well" advisors reported a rating of 8 or more, while "Less Well" advisors reported a 7 or less rating on the 0-10 Cantril scale.

Advisor Profile: Established Independents

Established Independent advisors are overworked and feeling stressed as a result. Based on the comparisons, getting control of capacity and focusing in on fewer clients who pay greater fees – providing greater revenue to be able to hire staff support – would be the most fruitful area for Less Well, Established Independents to focus. Based on the long hours worked and weak gross margins, operational improvements may also be warranted. Enhancing these business areas will not only relieve advisors of stress, but also improve practice economics, which in turn will further contribute to improved wellbeing.

Or stated more simply, unhappiness is being an independent for flexibility, and then running the practice in a way that piles up the hours and doesn't give the advisor the flexibility they were seeking.

Who You Are



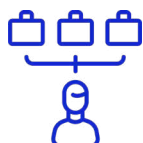
- Less Well, Established Independents are three times more likely to be divorced.
- They are nearly three times as likely to be a minority.
- They are less likely to be motivated by interests in personal finance or working with people.

What You Do



- The typical Less Well, Established Independent works five hours more per week.
- Consistent with a longer work week, they are less likely to have control over their schedule, and thus feel less able to take time off without feeling stress.
- They are dedicating a smaller share of their workweek to client meetings and spending a greater share of time (and hours) on business development and client administration.
- Despite more time working, their workload – in terms of revenue managed – is one-third less.

Where You Work



- The typical Less Well, Established Independent works with a team of four, compared to just three for Most Well advisors.
- Despite their larger teams, the median ratio of support personnel per each Less Well advisor is just 1.0, compared to 1.3 for Most Well, Established Independents.

How You Are Paid



- While the typical Less Well advisor serves a roughly similar number of clients at similar levels of affluence, they earn three-quarters the level of income relative to Most Well advisors.
- Less revenue per client, in combination with a lower gross margin earned off client revenue, contributes to this disadvantage.

Figure 36: Established Independents, Less Well Vs Most Well, Key Distinction Detail

| | Less Well | Most Well |
|------------------------------------------------------------------|--------------|--------------|
| Less likely to be male | 75% | 79% |
| More likely to be a minority | 11% | 4% |
| More likely to be divorced | 10% | 3% |
| Less likely to be a solo owner or producer | 36% | 41% |
| Less likely to be strongly motivated to work with people | 54% | 66% |
| Less likely to be strongly motivated to work in personal finance | 53% | 65% |
| Can take leisure time off without stress | 52% | 74% |
| Makes decisions for how work is conducted | 48% | 67% |
| More hours worked per week | 45 | 40 |
| Share of time meeting clients | 20% | 22% |
| Similar AUM per advisor | \$80,000,000 | \$80,000,000 |
| Less clients per advisor | 80 | 85 |
| Less likely to be IBD | 12% | 20% |
| Less likely in established firm with room to grow | 55% | 62% |
| Less likely to be silo | 15% | 20% |
| More likely to be solo with support | 28% | 25% |
| Likely to work with a larger team... | 4 FTE's | 3 FTE's |
| ...but less support per advisor | 1.0 FTE | 1.3 FTE's |
| Twice as likely to have experienced discrimination from clients | 22% | 11% |
| More likely to receive commissions | 49% | 41% |
| Less revenue per client | \$5,731 | \$6,798 |
| Less advisor income per client | \$3,427 | \$4,286 |
| Lower median gross margin (income as a share revenue) | 50% | 58% |
| Nearly 50% greater total advisor income | \$270,000 | \$367,500 |

Example: Established Independents

Given the close correlation between experience and well-being, focusing only on a more experienced population of advisors offers a deeper understanding of the many other influences on wellbeing. Established independent advisors, among the happiest across our survey respondents, was one of three groups of more experienced advisors selected for deeper analysis. Specifically, we defined these advisors as being independent, with at least ten years advisory experience, and owning their own firms or practices.

The average Cantril rating for this group was 7.2, compared to 7.0 for all advisors. However, despite the higher overall average, there was a significant bifurcation of wellbeing amongst experienced independents; in fact, a majority of this group (54%) rated 8 or more on the Cantril scale (we refer to these advisors as "Most Well"). The remaining 46% of the group's advisors, rating 7 or less on the 0-10 Cantril scale, were characterized as the "Less Well" group.

Advisor Profile: Experienced Employees

Experienced Employees share some similar characteristics with Less Well, Established Independents. They are overworked, and feel a lack of control over their schedule. They are comparatively weak in terms of converting the revenue generated from their larger number of clients into income.

In contrast, however, there is no material difference in service team structure among Less Well and Most Well experienced employees. Also, among experienced employees, those Less Well tend to be much more reliant on AUM pricing.

Given these results, the irony is that the path for Less Well, Experienced Employees to become happier is similar to the path for Independent Advisors – to focus on fewer clients who pay higher fees, and work within an environment that has strong infrastructure and team support that allows them to be able to take time off.

These changes can allow the advisor to gain back more control over time spent working, increase take-home pay, and improve wellbeing as a result. If these advisors, as employees, do not have sufficient authority to influence such changes, they may end up seeking another employer, or switch channel affiliation.

Who You Are



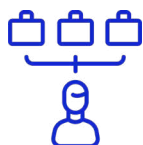
- Less Well, Experienced Employees are less likely to have a significant other.
- They are less likely to be a minority.
- They are less likely to be motivated by an interest in personal finance.

What You Do



- The typical Less Well experienced employee works five hours more per week, a difference similar to Less Well and Most Well established independents.
- Consistent with a longer work week, they are also less likely to have control over their schedule and to be able to take time off without feeling stress.
- They are spending more time on business development.
- Despite a longer work week, their workload, in terms of revenue managed and also assets managed, is 20% less than Most Well experienced employees.

Where You Work



- Less Well, Experienced Employees are half as likely to work in bank/trust channel
- They are twice as likely to have experienced discrimination from coworkers

How You Are Paid



- Less Well, Experienced Employees are more likely to rely on AUM-linked fees as a primary revenue source.
- They earn a lower gross margin off revenue collected, that is eight percentage points less.
- Less revenue per client, in combination with a lower gross margin, results in Less Well advisors earning two-thirds the level of income relative to Most Well.

Figure 37: Experienced Employee Advisors, Less Well Vs Most Well, Key Distinction Detail

| | Less Well | Most Well |
|--------------------------------------------------------------------|--------------|--------------|
| Less likely to be a minority | 6% | 9% |
| Less likely to have significant other | 84% | 94% |
| More likely to not be motivated by stable paycheck | 53% | 45% |
| Less likely to be strongly motivated by lifestyle flexibility | 39% | 46% |
| Less likely to be strongly motivated to work with people | 53% | 58% |
| Less likely to be strongly motivated to work in personal finance | 50% | 60% |
| Can take leisure time off without stress | 54% | 80% |
| Makes decisions for how work is conducted | 43% | 58% |
| More hours worked per week | 45 | 40 |
| Less AUM per advisor | \$66,000,000 | \$79,000,000 |
| 20% less revenue per advisor | \$400,000 | \$500,000 |
| More clients per advisor | 85 | 80 |
| Half as likely to work in the Bank/Trust channel | 5% | 11% |
| Less likely to work as a solo, especially one with support | 12% | 18% |
| More likely to be silo | 24% | 22% |
| Twice as likely to have experienced discrimination from co-workers | 11% | 5% |
| More likely to rely primarily on AUM pricing | 81% | 70% |
| More likely to receive commissions | 52% | 42% |
| Less revenue per client | \$4,853 | \$5,556 |
| Less advisor income per client | \$3,083 | \$3,667 |
| Lower median gross margin (income as a share revenue) | 48% | 56% |
| One-quarter less total advisor income | 260,000 | 350,000 |

Example: Experienced Employees

“Experienced Employees” also have ten years or more experience, but include only employee advisors who may work under a variety of business models. Wellbeing is also quite high for this group. Across all experienced employee advisors, the average Cantril rating was 7.2, slightly higher than all established independents.

Again, experienced employees are further distinguished by their level of wellbeing, labelled as either Less Well or Most Well. Within this group, more than half (54%) fell into the Most Well category based on their Cantril rating.

What is different about the Less Well employees, and how can they best realize better wellbeing?

Key distinctions are highlighted above with greater detail provided in Figure 37.

Note: Percentages, unless otherwise noted, indicate share of each group.

Advisor Profile: Experienced Solos

Like our two previous experienced advisor groups, the Less Well among experienced solos are challenged in taking control of their time, working with more clients for less dollars, and struggling to find the time to manage it all. Their comparatively lower gross margins also suggest struggles with efficiency in general.

Notably, one of the challenges of many solo advisors is that they prefer to *remain* solo, and *not* necessarily hire up team support, which makes the 'traditional' path of hiring to gain operational leverage more difficult. In part, this appears to be why proportionately more solo advisors with greater wellbeing are associated with an independent broker-dealer – the shared infrastructure of IBDs provides solo advisors support without requiring them to hire staff. Which implies overall that solo advisors would be well served to get clear on whether they're comfortable hiring – and if so, what revenue target they must achieve to do so – or alternatively affiliating with an advisor platform that can provide greater staff and infrastructure support.

Like Less Well employee advisors, Less Well, Experienced Solos also tend to be overly dependent on AUM-linked pricing and experiencing the challenges of working with smaller clients who don't

Who You Are



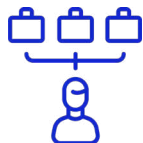
- Less Well, Experienced Solos are more likely to be female and twice as likely to not have a significant other
- Less Well, Experienced Solos are more likely to be motivated by a stable paycheck
- They are less likely to be motivated by a desire to help others or an interest in personal finance.

What You Do



- Less Well, Experienced Solos work a slightly longer work week, 45 hours compared to 43 hours for those Most Well.
- The biggest distinction regarding time on the job, however, is a lack of control. Less well advisors are less likely to feel that they have control over their schedule, and far less likely to feel empowered to make decisions about how work is done. They are also much likelier to be stressed about taking vacations.
- While managing slightly more clients, Less Well advisors managing fewer total assets, and just two-thirds the level of revenue relative to Most Well advisors.

Where You Work



- Slightly more than half of Less Well, Experienced Solos (51%) work as pure RIAs, identical to the share of Most Well solos working within the RIA channel
- Less Well advisors are much likelier to be Hybrid, however. About one-third of those Less Well are Hybrid versus 20% of those Most Well This suggests that managing two different business and regulatory models may be creating stress for many solos.
- Less Well solos are more likely to have experienced discrimination of all types, especially from managers and clients.

How You Are Paid



- Relative to those Most Well, Less Well, Experienced Solos are more likely to rely on AUM-linked fees as a primary revenue source.
- They earn a lower gross margin off revenue collected (46%) relative to those Most Well (58%).
- The lower gross margin, combined with lower revenue per client, results in Less Well, Experienced Solos earning three-quarters the income of those Most Well.

Figure 38: Experienced Solos, Less Well Vs Most Well, Key Distinction Detail

| | Less Well | Most Well |
|------------------------------------------------------------------|--------------|--------------|
| More likely to be female | 26% | 21% |
| Less likely to have significant other | 90% | 95% |
| More likely to be motivated by stable paycheck | 56% | 40% |
| Less likely to be strongly motivated by desire to help others | 72% | 83% |
| Less likely to be strongly motivated to work in personal finance | 56% | 66% |
| Can control their schedule | 77% | 88% |
| Can take leisure time off without stress | 55% | 72% |
| Makes decisions for how work is conducted | 43% | 66% |
| More hours worked per week | 45 | 43 |
| Less AUM per advisor | \$75,000,000 | \$85,000,000 |
| A third less revenue per advisor | \$400,000 | \$600,000 |
| More clients per advisor | 80 | 75 |
| More likely to work in Hybrid channel | 33% | 20% |
| Twice as likely to have experienced discrimination from managers | 24% | 12% |
| More likely to rely primarily on AUM pricing | 69% | 61% |
| More likely to receive commissions | 51% | 30% |
| Less revenue per client | \$5,500 | \$7,593 |
| Less advisor income per client | \$2,599 | \$5,000 |
| Lower median gross margin (income as a share revenue) | 46% | 58% |
| One-quarter less total advisor income | \$265,000 | \$350,000 |

generate sufficient AUM fees for the work they require. Here again, layering on hourly or project fees, or building a subscription fee model to service lower-AUM clients that require extra services, can boost revenue and generate greater income while better aligning the advisor's income with the value they're providing. The net result of these changes, by reducing stress through better time management and increasing income, ultimately leads to greater wellbeing.

Example: Experienced Solos

Across our survey respondents, 30% identified as "solos", which could include either solo advisors, solo producers, or independent representatives working on their own. As previously noted, solos are among the happiest, as well as least happy, advisors in comparison to others. In large part this is because the solo model is so challenging for new advisors but also so highly rewarding once an advisor is established.

Still, though, the influences on solo advisor wellbeing go beyond 'just' experience alone. So again, to focus on the influences of wellbeing unrelated to experience, our example group of solos includes only those solos who already have at least ten years of experience.

Across all experienced solos, average wellbeing is quite high, with a 7.4 average Cantril rating. Even after accounting for experience, however, the wellbeing gap is wide between Less Well and Most Well experienced solos. The average Cantril rating for the 43% deemed Less Well was 6.1 compared to 8.4 for Most Well advisors in this group.

What explains the difference?

Key distinctions characterizing lower wellbeing for experienced solos are highlighted above. See Figure 38 for greater detail.

Note: Percentages, unless otherwise noted, indicate share of each group.

Lessons For Advisor Wellbeing

From who you are, to what you do, to where you work or how you are paid, our Kitces Research white paper has examined the influences of wellbeing from nearly every angle. For good measure, we also drilled deep down to better understand some special groups within the advisor population.

Prominent themes emerged from this research concerning what is most associated with advisor wellbeing, and what tends to go lacking when wellbeing suffers. These themes point to important lessons for making an advisory career a more fulfilling one. Nine key lessons are highlighted below.

Increase Your Wellbeing Awareness

It's easy to get caught up in the business of running an advisory practice, while personal wellbeing gets overlooked. Maintaining wellbeing deserves, at minimum, the same level of attention as maintaining business success. Understand what drives wellbeing for you, and work to implement a plan that best aligns these drivers to maximize your happiness.

Control The Controllable

Certain factors tightly associated with wellbeing are difficult to change. These include, for example, an advisor's level of experience and whether there is a spouse or significant other. When starting down the path to greater wellbeing, focus first on the positive influences that are most easy to manipulate. But recognize that certain factors – most notably the benefit of experience itself – *do* come with time. This holds true as long as the advisor is able to keep continuing down the path.

Accept The Inevitable – The Early Years Are Hard

Regardless of your entry point into the advisory profession, wellbeing tends to be lowest for the least experienced advisors. The pressures to learn new skills, accumulate a base of clients, and become more financially stable understandably weighs heavily on new advisors. These pressures are felt across all channels and firm types, and there is no 'magic' channel where it's less painful. Inexperienced advisors should absolutely work to improve wellbeing but shouldn't be discouraged if they face greater challenges finding happiness. It only gets better—many of the obstacles to wellbeing dissipate with experience.

Accelerate Your Learning Curve

The high positive correlation between experience and wellbeing, however, doesn't mean an inexperienced advisor's only path for improvement is "time on the job". Advisors have a variety of options for compressing the time it takes to gain expertise. These include obtaining advanced credentials, actively participating in professional associations and study groups, and forging relationships with mentors. Working under a collaborative service model, to informally learn from more seasoned professionals, is another effective way to more quickly gain experience.

Tame Your Time

Time is the advisor's most precious resource. Across the advisor spectrum, advisors that fail to take control over their time see their wellbeing suffer. This is driven both by taking on 'too many' clients that aren't necessarily profitable to serve – dragging the entire practice down – and also by failing to hire and leverage staff support to help you focus time where you are most productive. Fine-tuning your client base, and the associated pricing of your services, will support better efficiency with the time you do commit while generating the revenue necessary to hire support.

Price Based On Value Provided

Pricing that is out of sync with the services and value clients receive can have both direct and indirect effects on advisor wellbeing. In particular, lack of wellbeing is often tied to a heavier reliance on AUM-linked fees in combination with serving smaller clients paying fees that are insufficient for the time they demand. A well-aligned charging structure – especially one utilizing hourly, project, or subscription-fee minimums to ensure a sufficient revenue from each and every client – provides advisors with the satisfaction of receiving fair compensation for all the work they do. In addition, proper pricing improves the bottom line, providing advisors with greater income and, in turn, additional wellbeing improvement.

Maintain A Buffer Of Capacity

Lack of capacity is another recurring theme across struggling advisors. Advisors have a “desire to serve others” mentality that can make it uncomfortable to turn down clients that are an inappropriate fit (particularly clients that are “too small” to fit the advisor’s core business model). The resulting inability to say “no” leads to an overwhelming number of clients. Without capacity advisors become overworked, growth opportunities are limited, and wellbeing suffers. It requires a leap of faith, but advisors who proactively invest in support personnel and learn to get comfortable turning down clients who aren’t a good fit are poised to reap future rewards.

Use Confidence To Create A Virtuous Cycle

Wellbeing and business success are tightly connected, with one fueling the other. Setting off this virtuous cycle takes confidence. You will need a belief that there is tremendous value in what you offer clients, and an ability to articulate why this is the case. Build this confidence by investing in professional designations and education, gaining expertise, surrounding yourself with more experienced advisors to learn from, and getting involved with a community of peers to tap for support when confidence falters.

Have Hope

Our research identifies certain settings and characteristics that tend to constrict wellbeing. If your unique personal circumstances equate with longer odds for more positive wellbeing, remember that there will always be exceptions to these general trends. Every individual is different. Advisors are finding happiness under a variety of scenarios. Stay encouraged, and if the current environment isn’t working, make the change necessary to get to a better place.

Financial advisors are fortunate to work in a profession that is financially lucrative. It’s also a career that can and should be personally fulfilling as well. When work is such a huge part of our lives, why not make work more meaningful? Let these lessons guide your path to greater wellbeing.



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