Financial Advisor Training Institute Mission Statement

The retail Financial Advisor profession and the retail Financial Advisor industry in the United States is facing extinction. The headcount is shrinking at an alarming rate due to the aging of retail Financial Advisors, the elimination of Company training programs, increasingly difficult industry regulations, a difficult business environment resulting from the financial crisis, and the complex barriers to entry in the industry. While the pool of qualified retail Financial Advisors is shrinking, the demand for professional advice is increasing, as Baby Boomers approach retirement and seek help getting there. Lastly, the more recent increase in demand for retail Financial Advisors is also due, in part, to retail investors returning to the markets after being burned by the tech bubble and the 2008 Financial Crisis. [1]

The mission of the Financial Advisor Training Institute is to replenish a depleting talent pool of qualified Financial Advisors in the retail investment community in the United States by creating a consistent learning environment that teaches professionalism, high ethical standards, sophisticated investment and insurance knowledge, and proper sales and client interaction skills for those who aspire to become a professional Financial Advisor. The Financial Advisor Training Institute will train 250,000 new professional Financial Advisors over the next fifteen years. The mission is NOT to save a for-profit industry. The mission is critical to the financial well-being of the US economy and the American public at large.

Advisor Headcount is falling at an alarming rate in the United States.
As an industry, the financial advisory business is relatively young but the retail Financial Advisors in the industry are not. According to Discovery Data, the number of retail Financial Advisors in the United States peaked exactly 30 years ago in 1989 when there were 660,000 licensed, producing retail Financial Advisors. The overall Financial Advisor industry continues to see the total headcount of Financial Advisors decline by 1%-2% per year. [2] Today, in 2019, there are currently 225,000 licensed, producing, retail Financial Advisors in the United States (not including another 40,000 licensed support staff that are non-producing). 5% are 30 years of age or less (which is a decline from 16% just 4 years ago; 17% are between the ages of 30-39; 23% are between the ages of 40-49; 33% are between the ages of 50-59; and 22% are over the age of 60.

In order to maintain the total number of retail Financial Advisor population at its current level, the percentage of advisors 35 years of age and under must be over 25%. If not, through attrition the total population will decline rapidly. Currently only about 22% of retail Financial Advisors are age 35 and under. The total population of retail Financial Advisors is declining and will continue to do so until the industry gets back to inventing in attracting, developing, and retaining new Advisors. [3]

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[1] www.financialcareeroptions.com/demand-financial-advisors
[2] www.kitces.com/blog/how-much-financial-advisors-make.....2017
[3] Discovery Data

According to Moss Adams, there will be an estimated shortfall of 220,000 retail Financial Advisors in the United States by 2020. [4] Such a forecast is not unreasonable considering the average age of retail Financial Advisors in the United States is 51 years old and 43% are over the age of 55 while 1/3 of the existing retail Financial Advisors plan to retire in the next ten years.

Americans have not outgrown human Financial Advisors, according to a study by the Million Dollar Round Table. [5] The study finds that the preference of retail customers lies in combining the personal touch of a professional retail Financial Advisor alongside cutting-edge technology. According to the study the majority of Americans (88%) want technology to complement, not replace, human Financial Advisors. In fact, 85% said they would rather work with a human Financial Advisor than a robo-advisor. The study found that, while 83% would trust a human Financial Advisor to effectively manage their financial plan, only 36% would trust the job to a robo-advisor. The study also revealed that only 5% of Americans believe that financial planning should be managed entirely by technology-based tools.

The top benefit that Americans cite for working with a human Financial Advisor over a robo-advisor is the opportunity to build a trusting relationship followed by the high level of human interaction and ease of communication.

According to a study by the National Association of Insurance and Financial Advisors, research supports the value added by the work done between a client and a Financial Advisor. [6] Clients make more informed decisions and it also makes them feel more confident about their finances. An international HSBC study "The future of Retirement", showed that those with financial plans done by professional Financial Advisors accumulate nearly 250% more retirement savings than those without. Retirement savers who sought investing advice from a professional Financial Advisor enjoy a median annual return almost 3% higher than those who did not get advice, even after the fees they paid for that advice. [7]

The social and economic value that Retail Financial Advisors Bring to the United States Economy is enormous. The United States' financial services sector will suffer from stunted growth due to the lack of talent, with $435.69 billion in projected unrealized economic output, equal to 1.5% of the United States Economy by 2030. [8] Michael Franzino, President, Global Financial Services, Korn Ferry stated that "Global financial services players are already experiencing skilled-talent shortages and are set to face the greatest talent gap of any industry sector in the next decade. Financial Services leaders need to act now or they will forfeit substantial growth opportunity". Acute talent shortages for Retail Financial Advisors are clearly a looming threat driven by a shortage of skills rather than a shortage of people. The profession of Financial Advisor is a knowledge-based industry and is fueled with highly skilled workers with a post-secondary education, such as a college or university, or a high-level trade college

[4] www.empaxis.com/blog/talent-shortage-in0the-financial-services-industry
[5] https://www.thinkadvisor.com/2019/02/21/investors-dont-want-to-replace-you-with-a-robot-mdrt-survey/
[6] NAIFA Securing Financial Futures 2014
[7] www.marketwatch.com/story/401k-savers-who-seek-advice
[8] The Global Talent Crunch. Korn Ferry International 2016

qualification. Mitigating the talent crunch requires a fundamental redefinition of the social contract between individuals, organizations, and governments and the Financial Advisor Training Institute will be the first of its kind to bridge the gap.

The economic contribution that Financial Advisors contribute to the United States economy is substantial. The direct (operational), indirect (supply chain), and induced (wage spending) contribution of the retail Financial Advisor Industry can be quantified in terms of a contribution to GDP, jobs, and the amount of tax revenue that their activities generate for the public purse. [9]

The economic contribution of Financial Advisors in 2015 amounted to more than $81 billion in GDP (.45 percent of the total US economy. US GDP was $17.9 trillion in 2015), as well as 10.5 billion in taxes to local, state, and federal governments. Financial Advisos average $110,979 in annual income, placing them in the top 10% of income earners in most states. [10] These high value-added, productive workers drive further wealth-generating services for savers and investors within the United States. In total, Financial Advisors support more than 803,000 jobs. These firms directly support the employment of more than 260,000 Financial Advisors and support staff. In addition, for each Financial Advisor affiliated with a financial firm, a further two jobs are supported in the wider, non-financial economy, either in the supply chains of financial firms or through the wage spending of those employed in the firms themselves or in their supply chains (in total 537,000 additional jobs in industries as diverse as professional services, restaurants, and hospitality). On average, these indirect and induced jobs pay an annual income of $56,491.Financial Advisors make a widespread contribution throughout the US economy. Of the $81 billion total contribution to GDP, $32 billion results from supply chain and consumer spending activities. This spreads the benefits of the sector to other parts of the US economy, including, for example, $8 billion in professional and business services, $7 billion in trade, transportation, and utilities; and $4.7 billion in education and health services. In total, as of 2017, finance and insurance represented 7.5% (or $1.45 trillion) of US GDP. [11]

Financial Advisors are active members of their communities. They annually support hundreds of national, regional, and local charitable organizations throughout the United States. Support takes the form of millions of dollars in donations, volunteering time, and teaching financial literacy.

The financial and economic value that Retail Financial Advisors bring to American Households.

The financial and economic value of a Retail Financial Advisor to American households and the American economy at large is enormous to say the least. The threat to American Families and the U.S. economy is that the Retail Financial Advisor is predicted to be extinct or nearly extinct

[9] Oxford Economics, 2017
[10] 2014 US Census Bureau
[11] www.Select USA.gov/financial-services-industry-united-states

by the year 2030. The Financial Advisor Training Institute will locate and train the 250,000 Retail Financial Advisors needed to replenish the industry.

American Households (clients) do not buy life insurance. Life insurance is sold to them by a qualified Retail Financial Advisor. Clients do not buy mutual funds or exchange traded funds. Mutual funds and exchange traded funds are sold to them. Clients do not buy long term care insurance, disability insurance, I.R.A.'s, 529 plans or SIMPLE plans. Those products are sold to them.

United States assets under management by retail Financial Advisors is $145 trillion dollars. [12] Several research studies have assessed the economic impact of financial advice to American consumers. Morningstar dubs the value of advice as "Gamma" and estimates the value to be 1.59% per year to retirees. Vanguard calls it "Advisor's Alpha" and pegs the value of financial advice to be upwards of 3% per year. Envestnet labels it "Capital Sigma" and also estimates that Financial Advisors add as much as 3% per year of value. [13] The greatest value that a financial Advisor provides is the behavioral coaching and support to ensure that the recommendations are actually implemented.

A 2013 study by David Blanchett and Paul Kaplan of Morningstar entitled "Alpha, Beta, and now …Gamma" found that the benefits of financial advice provided by professional Financial Advisors to retirees improves their outcomes by the equivalent of 1.59% per year increase in returns. These Financial Advisor driven outcome improvements were not merely about delivering higher absolute investment returns or generating portfolio alpha, though; instead the advice pertained to areas like "tax alpha" through asset allocation and tax savvy retirement liquidations (from a mixture of brokerage and retirement accounts), designing a more appropriate holistic asset allocation that accounts for all of a household's assets (including the asset value of Social Security and pensions), effective use of annuities and dynamic withdrawal strategies, and selecting investments in a manner that maximizes the stability and sustainability of inflation adjusted retirement cash flows (as opposed to just picking investments that have the highest expected returns.). Given that these value-adds were all outside of the portfolio itself, the authors dubbed the Financial Advisor's contributions as :Gamma" to distinguish it from the more traditional investment/portfolio metrics like alpha and beta.

A similar 2014 study from Vanguard researchers Francis Kinniry, Colleen Jaconetti, Michael DiJoseph, and Yan Zilbering entitled "Putting a value on your value" Quantifying Vanguard Advisor's Alpha" went a step further, estimating that the economic benefits of a Financial Advisor's advice to be as much as 3% per year. This included value-ads in areas from cost-effective investment selection and rebalancing, to asset allocation, behavioral coaching (to avoid poorly-timed portfolio changes), and the (tax-sensitive) withdrawal order of liquidation strategies. Again, the authors excluded any direct portfolio-related return enhancements like superior asset allocation or improved diversification, which ostensibly could just add firther

[12] Asset and Weslth Management Revolution:Embracing Exponential Change, Price Waterhouse Coopers.
[13] The Kitces Report Volume 3, 2015, 1

:portfolio" alpha on top of the "advisor alpha" (but aren't necessary to justify the advisor's cost).

More recently, the Envestnet Quantitative Research Group tackled the topic in a white paper entitled Capital Sigma: The Advisor Advantage" and similar to Vanguard suggested that Financial Advisors add value in a wide range of areas, from general financial planning strategies, to systematic rebalancing, and portfolio tax management through tax loss harvesting, as well as more effective asset allocation and diversification and choosing lower cost investments. These researchers estimated these various advisor contributions cumulatively added up to as much as 3% per year of enhanced returns, which they dubbed "Capital Sigma" (the Greek symbol for summing up the parts).

In summary

If the retail Financial Advisor becomes extinct, the US economy will lose $81 billion annually in GDP and clients will not benefit from an increased rate of return of 3% per year on their $145 trillion of advised assets (a loss of $4.35 billion worth of value per year). This would put severe pressure on Social Security, the US economic system, and the US Government. Financial Advisor Training Institute will solve this talent gap by raising tax deductible funds from individuals, investment product manufacturers, investment companies, grants, and other tax exempt non-profits to raise tuition money to provide a scholarship to candidates who wish to become a retail Financial Advisor and gain the world-class training provided by the Financial Advisor Training Institute.