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The Changing Face of Advice
By Anne Papmehl

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Just as the financial industry has undergone a huge metamorphosis over the past decade, so has the face of financial advice. Despite the challenges and pressures facing advisors today, the profession is attracting more recruits among the Generation Xers

Against a backdrop of massive consolidation, stricter regulatory standards, and a better-educated investing public, professional financial advice has taken on more complex dimensions. The body of knowledge possessed by today's financial planners far exceeds the ken of the average mutual fund or insurance sales representative of the early 90s, and with good reason.

As financial advice becomes more a matter of counselling than selling, advisor credentials necessarily become more rigorous. The Certified Financial Planner (CFP) designation is now more or less industry standard, earned through several years of dedicated study. Curiously, as challenging and changeable as the profession has become, it continues to draw new recruits, particularly among the younger generation, many of whom are women.

"I think it's very healthy for the industry and a very attractive stream for young people, particularly as we're all witnessing the transition in the financial service industry from product selling to advice giving," says Don Johnston, president of the Financial Planners Standards Council (FPSC). "I think what's attracting many of these young people is the opportunity to become part of a growth profession."

For Mylene Desautels, CFP and assistant to a financial advisor with Assante Financial Management Limited in Winnipeg, the attraction had to do with her love of working with numbers and people. While studying business administration at St. Boniface College, Desautels, now 25, managed to obtain her work placement position with the financial advisor at the firm where she is currently employed. "It was definitely a good fit for me," says Desautels.

Angela Jorgensen, a CFP with Investors Group in Penticton, B.C., had long been interested in financial matters. When considering her post-secondary education options, a stockbroker relative suggested she investigate a two-year diploma program at a local community college. For Jorgensen, 24, it was a fortuitous decision. "In addition to our business and accounting courses, I completed the Canadian Securities course and four of the CFP courses." By the time she graduated, Jorgensen had most of the educational requirements for her profession already under her belt.

For Bradley Roulston, 28, the lure was, "the freedom over my own timetable. I've never really worked well under rigid or controlled environments," says Roulston, who holds both CFP and RHU designations. "But here, I can be in charge of my own destiny, establish my own timetable, and be creative. This is also a job where you have very little overhead. You don't need a lot of supplies and equipment, just your own brain to get going."

However, what these financial planners don't need in equipment and overhead, they certainly need in perseverance, energy, and knowledge. In addition to having a deep understanding of a broad spectrum of topics - ranging from insurance to retirement planning to estate planning - they must also keep current with the constant changes within the industry itself: in a single 10-year period, the industry has played host to a plethora of new products (with mutual funds totalling more than 4,000), an explosion of information technology, and growing consumer interest in saving and investing.

While the job comes with built-in flexibility, the hours can still be long and tedious. Because some clients cannot see advisors between 9 a.m. and 5 p.m., advisors often have to be available to their clients outside of regular business hours.

Furthermore, while some financial advisors or planners may work as little as 20 hours per week, they tend to be the exception rather than the rule. Most believe they must plant the seeds now by working extra diligently in order to yield dividends later on in terms of remuneration and more free time. "I've only been growing my book of business since December 2000," says Jorgensen. "I'm working very hard and, although I am in the process of building my practice, I am confident that the rewards will be there both financially and personally."

On the other hand, money is not always the key motivating factor. For Mylene Desautels, the greatest driver is the personal satisfaction she gets from the job. "There is always a challenge in this job, always something new to learn. Working in this industry is very mentally stimulating. I wouldn't be able to survive in a job that was extremely routine and mindless, and I don't mind the long hours."

Enthusiasm and vigour aside, there can be drawbacks, however, to being young, not the least of which is establishing credibility with an older clientele. "I know when I first started in the industry about six years ago, I got a lot of interesting reactions," says Desautels. "Over the phone, clients had no trouble dealing with me because they couldn't see how old I was. But when they met me in person, some would appear a little shocked." Yet, attracting clients from their own age group is not much easier. "My friends and peers don't have substantial assets in RRSPs to bring to me to manage," says Jorgensen. "They're fresh out of school and often in debt."

On the other hand, being young can be an advantage in terms of the depth and breadth of knowledge you bring to the job, as Jorgensen points out: "Many of the more senior consultants are specialized in one area, while younger CFPs are trained to look at all different aspects of someone's financial plan." Even so, regardless of the young advisor's education, knowledge, and commitment level, there will always be clients who feel more comfortable with someone sporting a few gray hairs.

For many young women financial planners, the question of life and family balance issues inevitably enters the equation. "Although I'm still young and it's not a pressing concern right now, I do think about what will happen if I decide to start a family," says Jorgensen. "Will I be able to take time off and who will look after my clients in the meantime?"

About three years ago, Bradley Roulston decided to cultivate his clientele from a slightly more senior segment of the youthful demographic: upwardly mobile health care professionals, ranging in age from 28 to 35. Being a serious competitive athlete himself (he trains about two hours a day and runs marathons), Roulston found that a very targeted niche marketing strategy brought him a clientele with which he has much in common. "Most of my clients are occupational therapists, physiotherapists, and kinesiologists," says Roulston.

Three years later, Roulston's strategy appears to have paid off, as most of his business now comes from referrals. However, building his business and continuing to get those referrals is an ongoing process. To maintain visibility within his niche market community, he publishes articles and gives seminars or presentations on financial planning. "To me, it's important to make oneself referable, rather than having to ask for them. I want to be the first person that comes to mind when these people think of financial planning," says Roulston.

In a recent focus group study by Pollara Research of financial planners under the age of 30, about half the respondents envisioned setting up their own financial practice as a long-term goal. Roulston, who originally started out with a larger firm, recently took the leap to independence and has no regrets thus far. He feels it works well, largely because, "I can use my networks and my own financial planning system specifically for my niche group." However, others in the industry are not so sure. "I don't really see the necessity for it and I like the support systems I have here," says Jorgensen. "It's nice to be in an office where there are many financial planners, especially if you want to run an idea by someone."

Whether in the industry as an independent or affiliated with larger organization, there is no question that in addition to hard work and strategic prospecting, certain character traits are useful to the profession. For Roulston, a big part of it is perseverance. "If you continue to do what you're supposed to do and don't let the frustrations get to you, you can make it."

Roulston also believes it's important to listen to your own voice. "When I started, everyone in the industry was telling me I had to work with families because young, single people are too frivolous to save money." Roulston is glad he didn't listen. "As soon as I started working with my niche group of young health professionals, I found that to be completely untrue."

For this profession, a strong work ethic is par for the course. "I think you have to work hard, be willing to learn new things, and put in the effort to keep up your education. Because one is expected to do all aspects of financial planning, you have to come into the business really wanting to learn this" says Jorgensen. "It also helps to have a rather outgoing personality because you always have to be out there looking for business." In addition, Jorgensen stresses the importance of being ethical: "You're not going to last long if you lack integrity. If you fail to keep your word to your clients, you're not going to get the referrals and, in this business, so much of your success is dependent on those referrals."

Finally, one needs, if not a thick skin, at least the ability to deal with rejection. "You will get people telling you 'no' and you have to remind yourself not to take it personally," says Jorgensen.

While the need for continuing education is another prerequisite, Roulston doesn't feel it should scare people away from the profession. "It's not difficult to find a half hour a day to study," says Roulston, who admits that cancelling his cable TV service has helped him manage to squeeze more things into his day. "That was probably one of the smartest things I've ever done. You can do other things with your time. And I don't see how I could have grown without taking courses."

In addition to taking courses, Roulston devotes a fair amount of his time lecturing to students in business and financial programs at local community colleges and universities. Roulston's love and commitment to the profession has made him somewhat of an industry cheerleader. And, according to Don Johnston of the FPSC, interest among undergraduates is on the rise: "I think we're noticing a tremendous interest that has sprung up in the community colleges and universities as they begin to establish minors in finance and accounting, leading to all the elements of completion of our curriculum."

Within the industry, according to Johnston, financial planning is being recognized more as a profession and it is garnering more acceptance by the public as such. Regardless of which direction the young graduates eventually pursue, "this is a great way to start your life in the financial services industry. The education is first class and the skills are transferable, he adds.

Be that as it may, the financial advice profession is expected to undergo a few more evolutions and revolutions. Asked about his thoughts on the outlook of the profession, Roulston admits he doesn't expect the ride to be easy. "For the people who do well, I think they will do very well, and I also see a lot of people not making it." Roulston thinks that the next couple of years will be a period of decreasing commissions and increased competition. "Those with a 'laissez-faire' attitude will probably fade out, whereas those with focus will make it and do extremely well."

Desautels also foresees a lowering of commissions, adding that the industry will likely move more towards fee-based financial planning. Mergers and acquisitions will continue to dominate the industry and affect advisors. "If you don't have the economies of scale to back you up, I think you're going to be fishing alone," says Desautels.

Jorgensen is glad to be working for a larger company in the age of declining commissions. "I think it will be harder for independents who have to pay more for their overhead than someone who is part of a larger company, where some of the costs are subsidized."

Regardless of the industry's direction, for these three self-motivated and hard-working souls at least, there should always be a place in it - and a good one at that.

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Tech talk
When it comes to computer literacy, the younger generation leads the race. These are the preliminary findings of a recent CAIFA survey. Simply put, younger advisors tend to be more tech savvy and utilize computer technology more than their middle-aged or senior counterparts.

For Bradley Roulston, 28, it's a matter of efficiency. "I do all my work over the Internet," explains Roulston. "I don't see people outside my office, so people can either see me at my own office between 9 a.m. and 5 p.m. or meet me after hours at my health club, where there is a boardroom for meetings." And when not having face-to-face contact with their advisor, Roulston's clients can be in virtual contact.

"Every one of my clients must be on the Internet and have e-mail," says Roulston. "People like it that way because I'm always here, always accessible. I recently set up a Web cam system so clients and prospects can now call and be put on speakerphone, see me on their computer, and have a meeting with me that way." Roulston feels this is a good way for new prospects to get to know him better and helps him feel more connected to his existing clients. In addition, he is able to fit more meetings into his day. "I'm not driving everywhere and the transaction processing is done almost instantly."

Does this mean that every advisor needs to go to such levels of technical prowess? Probably more so if, like Roulston, you are working independently. However, for advisors connected with a larger organization, it is less critical. "You certainly have to understand the financial planning software, and I've picked up a lot from another financial planner who is very much into the technology; but for more complex things, we have very good tech support staff here," says Angela Jorgensen, 24.

Some argue, however, that we extol too much the virtues of technical literacy of the young while downplaying the wisdom and experience of the more senior advisors. After all, anyone can learn the technical skills, but not everyone can make sound, prudent investment or financial planning recommendations on a client's behalf.

The younger generation, however, sees the need for technical literacy as client driven. "If you don't take the time and money to invest in and learn the new technologies, you won't be able to provide for your clients with the services they're looking for," says Mylene Desautels, 25. "Once you give them something and they get used to it, they're not going to be too impressed if you take it away. You have to keep upgrading your systems and skills when developing client service protocols; otherwise, they'll take their business elsewhere."

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