

Building a Diverse Practice: The Value of CFP® Certification to Female Advisors

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IMPACT POINTS

- This study, commissioned by Certified Financial Planner Board of Standards Inc. (CFP® Board) and produced by Aite Group, identifies the distinctive characteristics that female CFP® professionals bring to wealth management practices and clients. The research is based on a survey of 400 U.S. financial advisors fielded in Q3 2019 as well as survey data from the CFP® Board to increase the sample size of female CFP® professionals.
- Research from Merrill Lynch¹ indicates that gender plays a role in the financial advisor/client relationship. Women who work with a female advisor are more comfortable discussing financial topics compared to women who work with a male advisor. Efforts to increase the representation of credentialed client-facing female advisors are critical to baby boomer asset retention and to appeal to millennial women, more of whom manage their finances alone compared to older generations.
- Wealth management firms must differentiate from competitors and digital investment management providers with personalized services centered on financial planning. Female CFP® professionals are uniquely qualified to accelerate the transition of wealth management firms from being investment- and product-oriented to focused on holistic advice aligned to clients' goals.
- Female CFP® professionals are particularly invested in the financial planning process. They provide written and multigoal financial plans to more of their clients compared to male CFP® professionals and other female financial advisors. They are also more likely to give retirement and estate planning advice compared to male CFP® professionals.
- Female CFP® professionals' focus on financial planning does not detract from their investment management responsibilities. Female CFP® professionals are also as likely as male CFP® professionals to derive a majority of practice revenue from assets under management (AUM) and financial planning service fees.
- Female CFP® professionals present themselves as more confident than male CFP® professionals with their ability to build client trust and their approach to financial planning. They are also more satisfied with their careers than other female advisors.
- CFP® certification has played a role in helping female advisors grow into confident advisors. Female CFP® professionals are more likely than male colleagues to indicate that they pursued certification to feel more confident and to enhance their knowledge. Furthermore, they are more likely to recommend CFP® certification to colleagues than are male CFP® professionals (64% of females strongly recommend versus 52% for males).

1. "Seeing the Unseen: The Role Gender Plays in Wealth Management," Merrill Lynch Wealth Management, August 2020, accessed April 12, 2021, <https://www.ml.com/women-research.html>.

INTRODUCTION

Wealth management firms that can attract and retain female advisors as well as help them grow into CFP® professionals stand to reap significant rewards. Several demographic trends and business model changes are driving the need to increase the representation of female advisors in an industry that has traditionally been dominated by men. Traditional wealth management firms have been racing to diversify their revenue streams and differentiate from automated investment management services by providing more holistic and personalized services rooted in financial planning. This report shows that female CFP® professionals are particularly strong at providing comprehensive financial planning across a broad set of topics. Furthermore, this service is desirable to women investors who express more concern than men with outliving assets in retirement and have been traditionally underserved.

Female baby boomer clients are a critical group for wealth management firms to attract and retain; they are set to control most of the US\$30 trillion in financial assets owned by baby boomers by 2030 as they outlive their male partners. Financial advisors do not have a good track record to date with retaining widows' assets; 70% of women leave their advisors within one year of their spouse's death.²

This report explores the unique characteristics of female CFP® professionals and demonstrates the importance of attracting more women to the CFP® program. It looks at advisor, practice, and service level characteristics, including differences in the depth and scope of financial planning services offered.

METHODOLOGY

The CFP Board commissioned Aite Group to research distinguishing characteristics of female CFP® professionals and to compare them to female advisors without CFP® certification. The research looks at advisor, practice, and service level characteristics, including differences in the depth and scope of financial planning services offered. This research is based on an Aite Group survey of 400 U.S. financial advisors conducted in Q3 2019 and on a follow-up survey of 122 advisors fielded by the CFP® Board to its contact base to increase the sample size of female advisors.

The survey included 80 female CFP® professionals and 54 female advisors without CFP® certification. The analysis also compares the female CFP® professionals to 186 male CFP® professionals.

2. "Women as the Next Wave of Growth in U.S. Wealth Management," McKinsey & Company, July 2020 accessed April 12, 2021, <https://www.mckinsey.com/industries/financial-services/our-insights/women-as-the-next-wave-of-growth-in-us-wealth-management>.

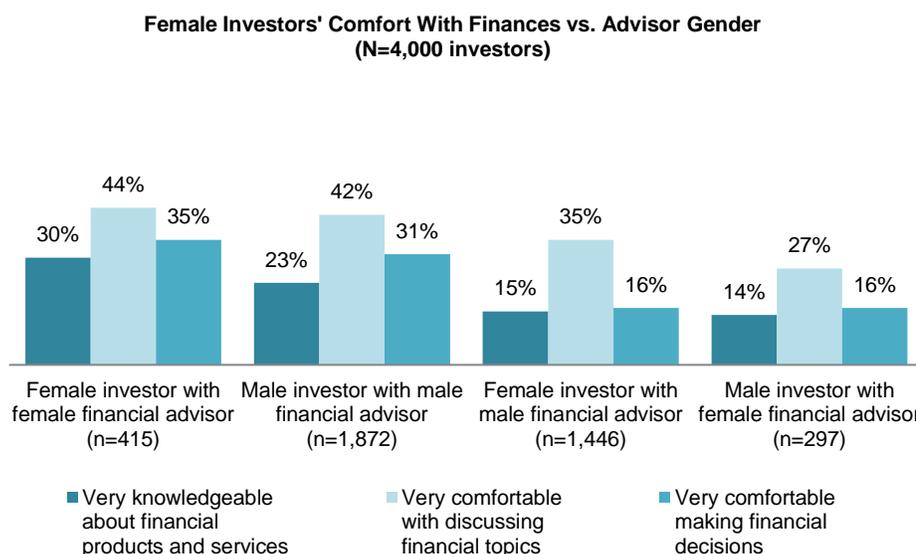
THE OPPORTUNITY FOR FEMALE CFP® PROFESSIONALS

The population of financial advisors is not representative of the U.S. population. Financial advisors are predominantly male, representing approximately 80% of U.S. advisors. The representation of women among CFP® professionals is comparable at 23.3% as of the end of 2020 based on CFP Board statistics. Wealth management firms and the CFP Board have been investing to attract women and minorities to the profession in recent years to address the gap in representation. Increasing financial advisor diversity would result in significant benefits both for wealth management firms and Americans seeking qualified financial advice.

THE ROLE OF ADVISOR GENDER

While most women do not specifically seek a female advisor, they do want to work with an advisor they have a personal connection with according to a McKinsey report on the importance of women to wealth management firm growth.³ A recent Merrill Lynch study dug deeper into the role of gender in the advisor/client relationship and revealed the many subtle ways that gender influences clients. One component of the study evaluated differences in financial product knowledge and comfort with making financial decisions based on client and advisor gender. Female investors who work with female advisors were more likely to rate that they were very knowledgeable about financial products, very comfortable discussing financial topics, and very comfortable making financial decisions compared to female clients of male advisors (Figure 1).

Figure 1: Knowledge of Finance and Comfort With Financial Decisions Versus Advisor Gender



Source: Merrill Lynch survey of 4,000 U.S. investors, Q1 2020

3. “Women as the Next Wave of Growth in U.S. Wealth Management,” McKinsey & Company, July 2020, accessed April 12, 2021, <https://www.mckinsey.com/industries/financial-services/our-insights/women-as-the-next-wave-of-growth-in-us-wealth-management>.

INDUSTRY AND DEMOGRAPHIC TRENDS DRIVE NEED FOR MORE FEMALE CFP® PROFESSIONALS

There are many demographic and industry trends at play that underscore the urgency of recruiting more client-facing female advisors and the need to support their development into CFP® professionals. Table A summarizes these drivers.

Table A: Drivers for Attracting Women to the Financial Planning Profession

| Demographic and industry drivers | Implications |
|---|--|
| Wealth management firms must differentiate from digital investment management providers with personalized services centered on financial planning. This report shows how female CFP® professionals adopt financial planning with more of their clients compared to male CFP® colleagues. | Female CFP® professionals have the potential to accelerate the wealth management industry's adoption of financial planning, which drives stronger and deeper advisor/client relationships. |
| Female investors in the United States are more focused on life goals than on outperforming the stock market. They are more concerned than men with outliving assets in retirement and meeting healthcare expenses.⁴ | Women are more likely to prefer advisors that center the client relationship around their financial goals and can address a broad range of financial topics. Female CFP® professionals are ideally suited to meet these service needs. |
| Advisor gender can influence the financial advisor/client relationship. Women who work with a female advisor are more likely to express comfort with making financial decisions than women who work with a male advisor. | After a transition in assets, women clients will be easier to attract and/or retain when they have the opportunity to work with a female advisor. |
| Baby boomer women are expected to control more assets as they outlive their spouses (US\$30 trillion by 2030), but 70% of women change advisors within one year of their partner dying. | Wealth management firms with more female CFP® professionals will be better positioned to retain assets from baby boomer women. |
| Millennial women are less likely to share financial responsibilities with a spouse due to lower marriage rates compared to previous generations.⁵ | Wealth management firms that fail to address the gender gap among CFP® professionals may miss opportunities to start relationships with millennial women. |

Source: Aite Group

4. "Women as the Next Wave of Growth in US Wealth Management," McKinsey & Company, July 2020, accessed April 12, 2021, <https://www.mckinsey.com/industries/financial-services/our-insights/women-as-the-next-wave-of-growth-in-us-wealth-management>.
5. "As Millennials Near 40, They're Approaching Family Life Differently Than Previous Generations," Pew Research, May 27, 2020, accessed April 12, 2021, <https://www.pewresearch.org/social-trends/2020/05/27/as-millennials-near-40-theyre-approaching-family-life-differently-than-previous-generations/>.

FEMALE CFP® PROFESSIONALS: READY FOR THESE TIMES

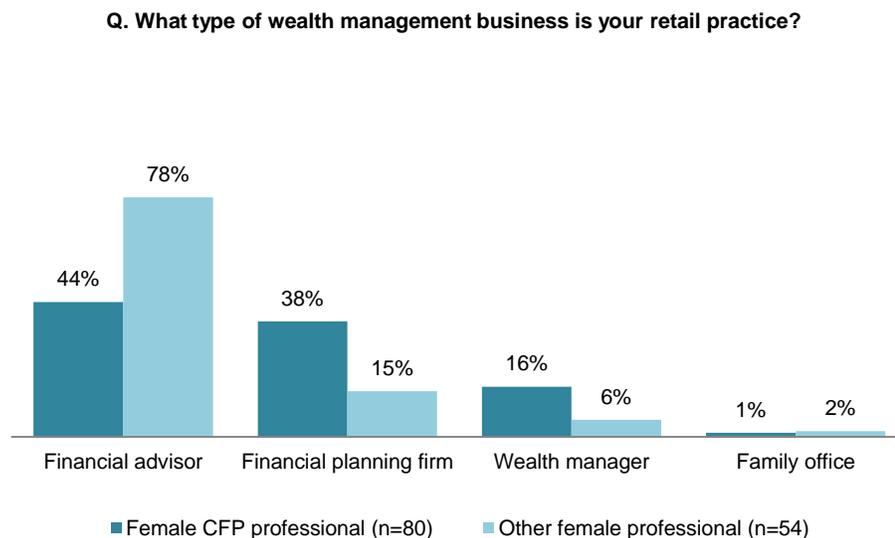
Encouraging female financial advisors to obtain CFP® certification and supporting them in the process is of critical importance. Female advisors will be better positioned to succeed if they can stand apart from their male financial advisors with a well-recognized credential. This research shows that female CFP® professionals benefit even more from CFP® certification than their male CFP® colleagues. Furthermore, female CFP® professionals are uniquely qualified to meet the needs of today's clients and to carry out the wealth management firm vision of providing holistic and personalized advice.

FOCUS ON HOLISTIC PLANNING

Female CFP® professionals are particularly invested in the financial planning process. They are more likely than other female advisors to describe their business as a financial planning business, and they provide written and multigoal financial plans to more of their clients compared to male CFP® professionals and other female financial advisors.

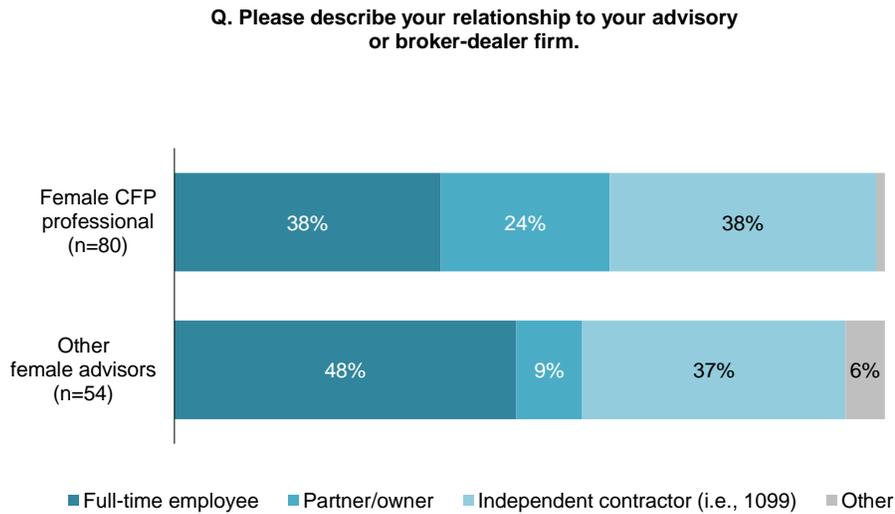
Thirty-eight percent of female CFP® professionals categorize their business as a financial planning firm compared to 15% of other female financial advisors (Figure 2). Female CFP® professionals are also more likely to own their practice; almost a quarter own their own business while 9% of other female financial advisors surveyed do (Figure 3).

Figure 2: How Female CFP® Professionals Describe Their Business



Source: Aite Group survey of 400 U.S. financial advisors, Q3 2019, plus CFP Board survey of 112 advisors

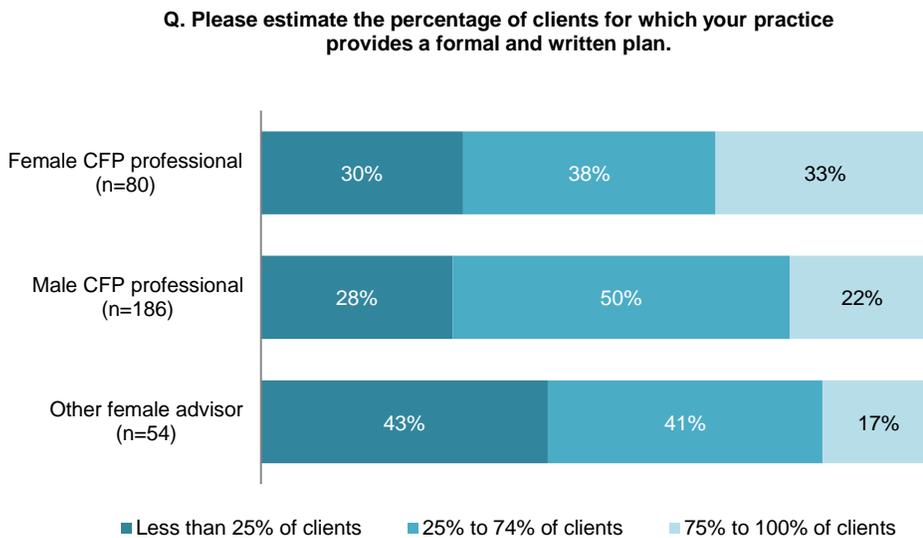
Figure 3: CFP® Certification and Practice Ownership Among Female Advisors



Source: Aite Group survey of 400 U.S. financial advisors, Q3 2019, plus CFP® Board survey of 112 advisors

Female CFP® professionals provide written plans to more of their clients. A third of female CFP® professionals provide written financial plans to three-quarters or more of their clients, while 22% of male CFP® professionals do the same (Figure 4).

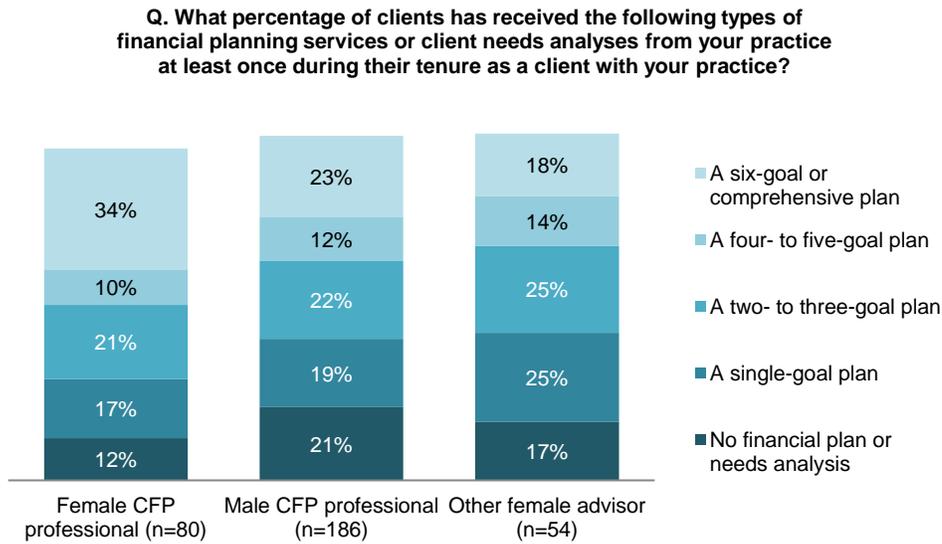
Figure 4: Clients Receiving a Financial Plan by CFP® Professional Gender



Source: Aite Group survey of 400 U.S. financial advisors, Q3 2019, plus CFP® Board survey of 112 advisors

Female CFP® professionals provide comprehensive plans to almost twice the share of clients as other female advisors and 10% more clients compared to male CFP® professionals. On average, female CFP® professionals provide comprehensive financial plans to 34% of clients, while male CFP® professionals deliver comprehensive plans to 23% of clients (Figure 5).

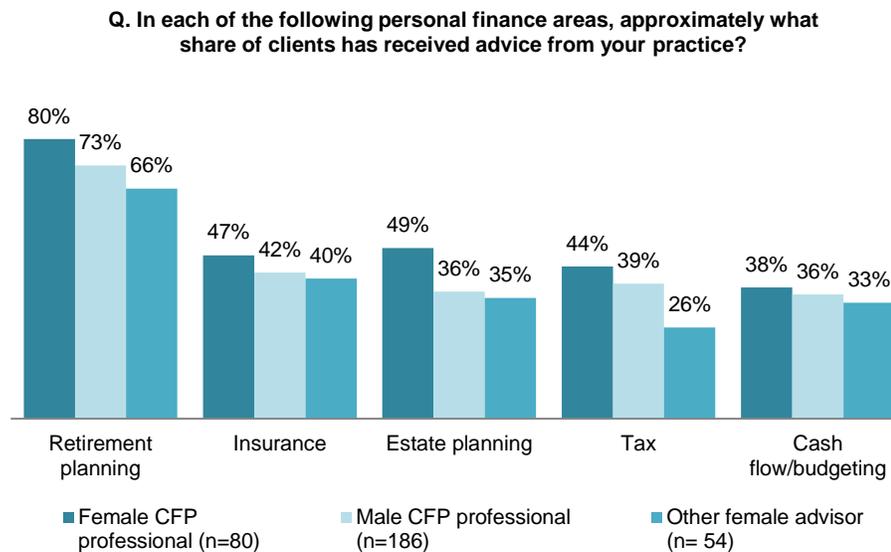
Figure 5: Comprehensiveness of Financial Plan by CFP® Professional Gender



Source: Aite Group survey of 400 U.S. financial advisors, Q3 2019, plus CFP® Board survey of 112 advisors

Female CFP® professionals are more likely than male CFP® professionals and other female financial advisors to be giving retirement and estate planning advice to clients. These services are especially top of mind for baby boomer clients. On average, female CFP® professionals have given retirement planning advice to 80% of their clients, while male CFP® professionals have worked with 73% of clients on this topic, and female advisors without CFP® certification have provided this type of planning to 66% of clients (Figure 6).

Figure 6: Financial Planning Topics Addressed by CFP® Professional Gender

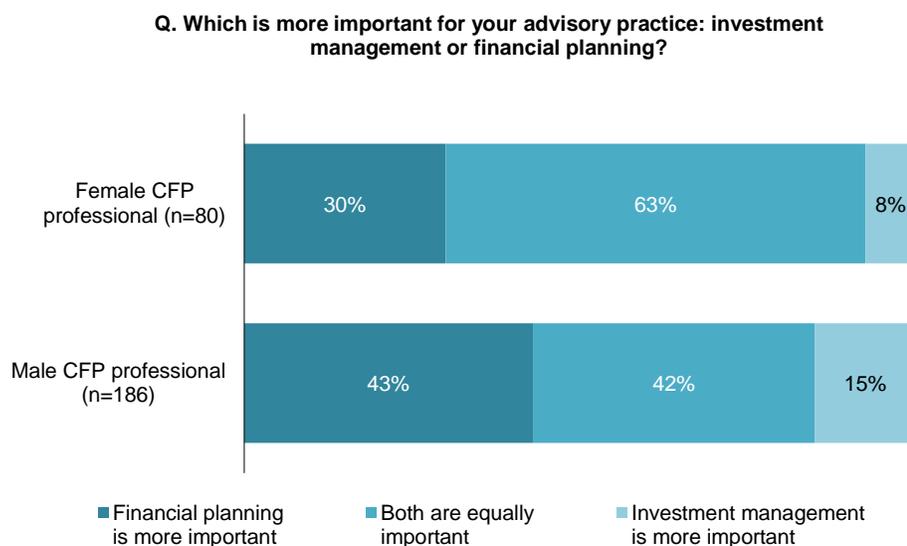


Source: Aite Group survey of 400 U.S. financial advisors, Q3 2019, plus CFP® Board survey of 112 advisors

FEE-BASED INVESTMENT MANAGEMENT AS IMPORTANT

Female financial advisors' focus on financial planning does not detract from their investment management responsibilities. In fact, female CFP® professionals are more likely than male CFP® professionals to state that investment management is as important a service as financial planning (Figure 7). They are, however, less likely to indicate investment management as more important (8% versus 15% for male CFP® professionals).

Figure 7: The Importance of Financial Planning Versus Investment Management



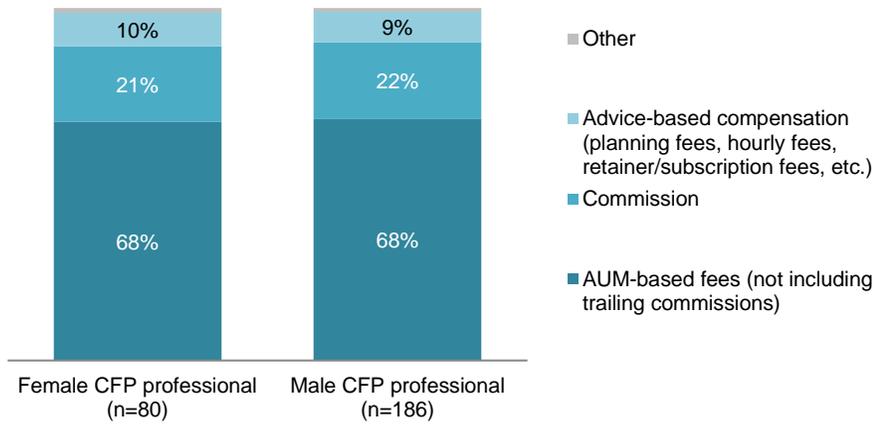
Source: Aite Group survey of 400 U.S. financial advisors, Q3 2019, plus CFP® Board survey of 112 advisors

Female CFP® professionals are as likely as their male colleagues to generate the majority of practice revenue (68%) from fee-based investment management. This investment management style indicates that they are primarily working with clients as fiduciaries, acting in the best interests of their clients (Figure 8).⁶

6. As per CFP® Board's Code of Ethics and Standards of Conduct, if an individual is a CFP® professional, he or she is required to act as a fiduciary whenever providing advice to clients.

Figure 8: Share of Practice Revenue From AUM and Advice Fees Versus Commissions

Q. What percentage of your practice's revenue/production over the last 12 months was from the following types of business relations?



Source: Aite Group survey of 400 U.S. financial advisors, Q3 2019, plus CFP® Board survey of 112 advisors

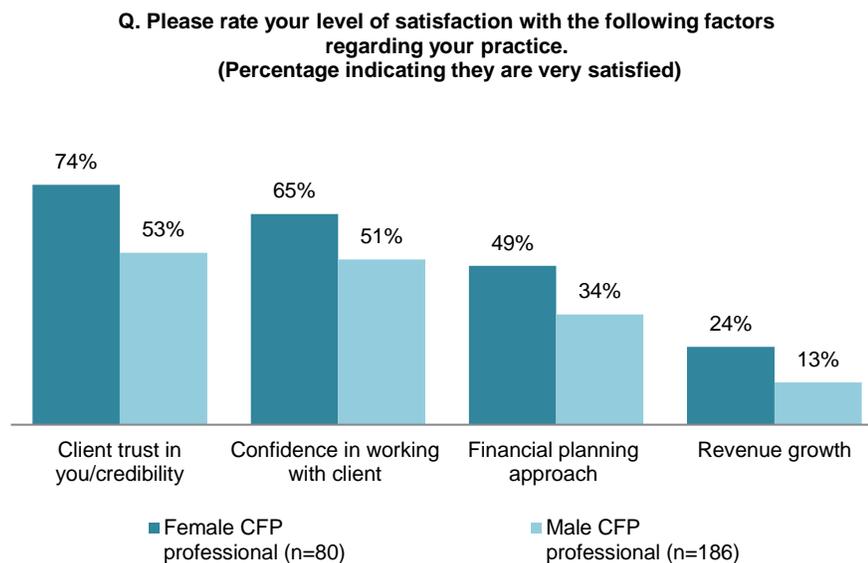
FEMALE CFP® PROFESSIONALS ARE CONFIDENT AND SATISFIED

Female CFP® professionals present themselves as highly confident advisors with strong satisfaction in their ability to build client trust and provide financial planning. Aite Group's financial advisor survey asks advisors to rate their level of satisfaction across a series of practice characteristics, including revenue growth and client trust (Figure 9).

Female CFP® professionals were more likely to state that they are very satisfied with the following practice characteristics:

- Confidence with clients (65% versus 51% for male CFP® professionals)
- Client trust in them (74% versus 53% for male CFP® professionals)
- Approach to financial planning (49% versus 34% for male CFP® professionals)
- Revenue growth (24% versus 13% of male CFP® professionals)

Figure 9: Level of Satisfaction With Confidence, Client Trust, and Financial Planning

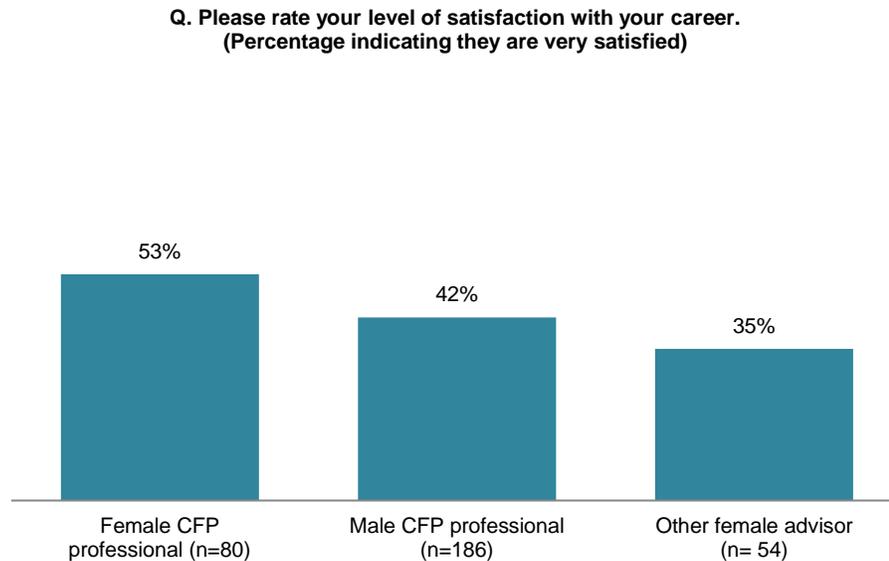


Source: Aite Group survey of 400 U.S. financial advisors, Q3 2019, plus CFP® Board survey of 112 advisors

Female CFP® professionals are also more satisfied with their careers compared to other female financial advisors. Fifty-three percent indicate strong satisfaction with their careers, while 35% of

other female financial advisors and 42% of male CFP® professionals report the same (Figure 10).⁷

Figure 10: Career Satisfaction—Female CFP® Professionals Versus Other Female Advisors



Source: Aite Group survey of 400 U.S. financial advisors, Q3 2019, plus CFP® Board survey of 112 advisors

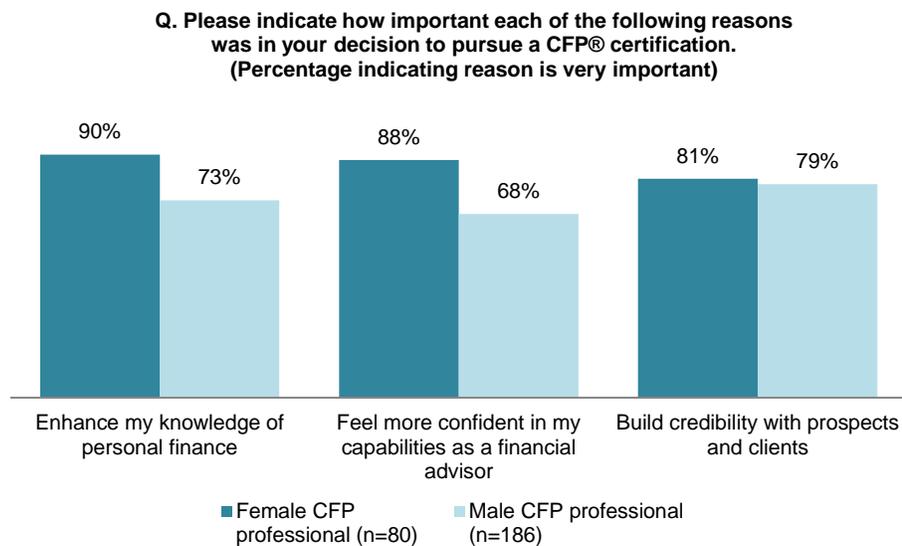
The next section looks at the role of CFP® certification in female advisors' knowledge, confidence, credibility, and whether they would recommend certification to others.

7. The study could not confirm the statistical significance of the difference in career satisfaction between Female CFP® professionals and male CFP® professionals (53% versus 42%) due to sample size.

THE IMPACT OF CERTIFICATION ON FEMALE CFP® PROFESSIONALS' SUCCESS

The prior section shows that female CFP® professionals feel more confident with clients than male CFP® professionals. This section indicates that CFP® certification has played a role in helping female advisors grow into confident advisors. When CFP® professionals were asked why they wanted to pursue CFP® certification, female CFP® professionals were more likely than male colleagues to rate feeling more confident and enhancing knowledge as very important motivators. Both groups of advisors were as likely to state building credibility with prospects and clients as a very important reason for pursuing the designation (Figure 11).

Figure 11: Reasons for Pursuing CFP® Certification



Source: Aite Group survey of 400 U.S. financial advisors, Q3 2019, plus CFP® Board survey of 112 advisors

Female CFP® professionals were also more likely than male colleagues to strongly recommend CFP® certification to their colleagues and to express that the time and effort required to become a CFP® professional were worthwhile. Almost 70% of female CFP® professionals believe it was a worthwhile effort, while 49% of male CFP® professionals say the same (Figure 12).

Figure 12: Recommendation of CFP® Certification by Female and Male CFP® Professionals



Source: Aite Group survey of 400 U.S. financial advisors, Q3 2019, plus CFP® Board survey of 112 advisors

CFP® certification helps female advisors more than men. The professional credential is especially important for women to obtain to demonstrate their competence in front of clients that have been conditioned into thinking of financial advisors as men. The dominance of men in this profession perpetuates gender stereotypes that will be difficult to overcome without a significant increase in the representation of women.

CONCLUSION

- Many wealth management firms have recruitment programs to increase representation of women and minorities among employees. They should also be complementing these recruitment programs with targeted efforts to grow the share of client-facing female financial advisors who are CFP® professionals.
- Firms that hope to retain baby boomer client assets in motion and attract millennial women must have a plan to attract, develop, and retain female advisors. Research recently conducted by Merrill Lynch on the impact of gender stereotypes on the advisor/client relationship reveals that female clients feel more comfortable making financial decisions and talking about finances with female advisors.
- The success of female CFP® professionals based on their subjective assessment of their career, client satisfaction, and practice growth should drive a renewed focus among wealth management firms to encourage CFP® certification among female advisors.
- Given the impact of CFP® certification on female advisors, firms may find it worthwhile to offer support for CFP® certification to prospective female advisor candidates. The support needed may look different for each advisor; some may need financial support, while others may need more coaching or time off for studying.

RELATED AITE GROUP RESEARCH

The Promise of Financial Wellness: The Battle to Deliver, November 2020.

The Pandemic, Financial Advisors, and the Financial Planning Opportunity, June 2020.

Transformation of Global Financial Advisor Compensation Models: What Lies Ahead?, May 2020.

The Future of Financial Planning Is Now: An Aite Group Executive Forum, January 2020.

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