

**J.D. Power Reports:  
Investment Firms That Mentor Young Advisors and Provide Robust Technology  
May Have a Competitive Advantage Over the Next Decade**

Edward Jones Ranks Highest in Employee Advisor Satisfaction;  
Commonwealth Financial Network Ranks Highest in Independent Advisor Satisfaction

**WESTLAKE VILLAGE, Calif.: 30 June 2014** — While compensation and firm leadership are the top factors driving advisor satisfaction today, investment firms need to look ahead and begin planning for a generational shift of retiring advisors during the next decade, according to the J.D. Power 2014 U.S. Financial Advisor Satisfaction Study<sup>SM</sup> released today.

With one-third of today's advisors retiring in the next decade,<sup>1</sup> and more experienced advisors considering the increased flexibility and financial benefits of becoming Registered Independent Advisors (RIAs), investment firms need to act now to be prepared for the future. Firms that focus on mentoring newer advisors and providing them with robust technology are more likely to have a competitive advantage over firms that do not.

The study, which has been redesigned for 2014, measures satisfaction among both employee advisors (those who are employed by their investment services firm) and independent advisors (those who are affiliated with a broker-dealer but operate independently). The study examines seven key drivers of advisor satisfaction: advisor/professional support; client/customer-facing support; compensation; firm leadership; operational support; problem resolution; and technology support.

Overall satisfaction among employee advisors is 721 (on a 1,000-point scale) and 778 among independent advisors.

“As financial markets continue to do well and overall advisor satisfaction remains relatively high, investment firms may be operating with a false sense of security for their future success,” said Michael Foy, director of the wealth management practice at J.D. Power. “To prepare for the future, investment firms need to implement effective processes to mentor and train young advisors and provide them with the technology and tools that will enable their success.”

The study finds training and mentoring has a positive impact on satisfaction for advisors at all stages of their career. Satisfaction is significantly higher among less-experienced advisors (fewer than 10 years) who participate in a mentoring program than among those who do not participate (850 vs. 730, respectively). However, 33 percent of advisors are not aware of whether their firm offers a mentoring program, suggesting that part of the challenge is related to effective communications.

Firms also need to address succession planning for advisors nearing the end of their career, so they can transition out of the business in an optimal way for themselves and their clients. Ninety-four percent of advisors with 20-plus years of experience and who say they “definitely will” remain with the firm for the next 1-2 years indicate their firm offers succession planning resources and tools, while only 62 percent of

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<sup>1</sup> The Cerulli Edge, Q1 2014

those who “probably will not” or “definitely will not” remain with the firm say the same. Foy noted the cost for firms to recruit experienced advisors to replace those who leave is likely to continue to increase as more advisors move into retirement, underscoring the importance of training and retaining talent.

### **KEY FINDINGS**

- Firm leadership plays a key role in cultivating advisor loyalty, specifically through building a values-oriented, client-focused culture, and effectively communicating a strategy that advisors believe in. Approximately two-thirds (62%) of advisors loyal to their firm believe leadership clearly communicates strategic goals vs. just one-third of advisors who are neutral toward their firm.
- Approximately nine in 10 advisors (87% of employees and 93% of independents) say they “definitely will” or “probably will” remain at their current firm for the next 1-2 years. Among those advisors, 44 percent of employees and 52 percent of independents are loyal advisors, identified in the study as those who indicate cultural values, freedom/independence and client focus as primary reasons for their intention to stay with their firm, while 38 percent of employees and 32 percent of independents are neutral and intend to remain primarily for compensation or contract requirements.
- Advisor satisfaction improves when their compensation package is competitive, clear and rewards appropriate behaviors. Among the 36 percent of advisors who lack a complete understanding of their plan, compensation satisfaction is significantly lower than among those who have a complete understanding (631 vs. 781, respectively).
- Among advisors using smartphones and/or tablets, 84 percent indicate their firm provides smartphone- and/or tablet-friendly tools; yet, just 28 percent of advisors are using both devices for business, suggesting a need for more effective communications and training regarding these tools.
- Nearly one-half (47%) of employee advisors and 20 percent of independent advisors indicate their firm does not allow the use of social media to communicate with clients. Among those who are permitted to use social media, 45 percent of employee advisors and 40 percent of independent advisors take advantage of the opportunity.

### **Advisor Study Rankings**

In the employee advisor segment, Edward Jones ranks highest for a fifth consecutive time with a score of 904. Raymond James & Associates, Inc. (867) ranks second, followed by RBC Wealth Management (834).

In the independent advisor segment, Commonwealth Financial Network ranks highest for a fourth consecutive time with a score of 954. Cambridge Investment Research, Inc. ranks second (913), followed by Raymond James Financial Services, Inc. (899).

The 2014 U.S. Financial Advisor Satisfaction Study is based on responses of more than 3,900 financial advisors. The study was conducted between January and April 2014.

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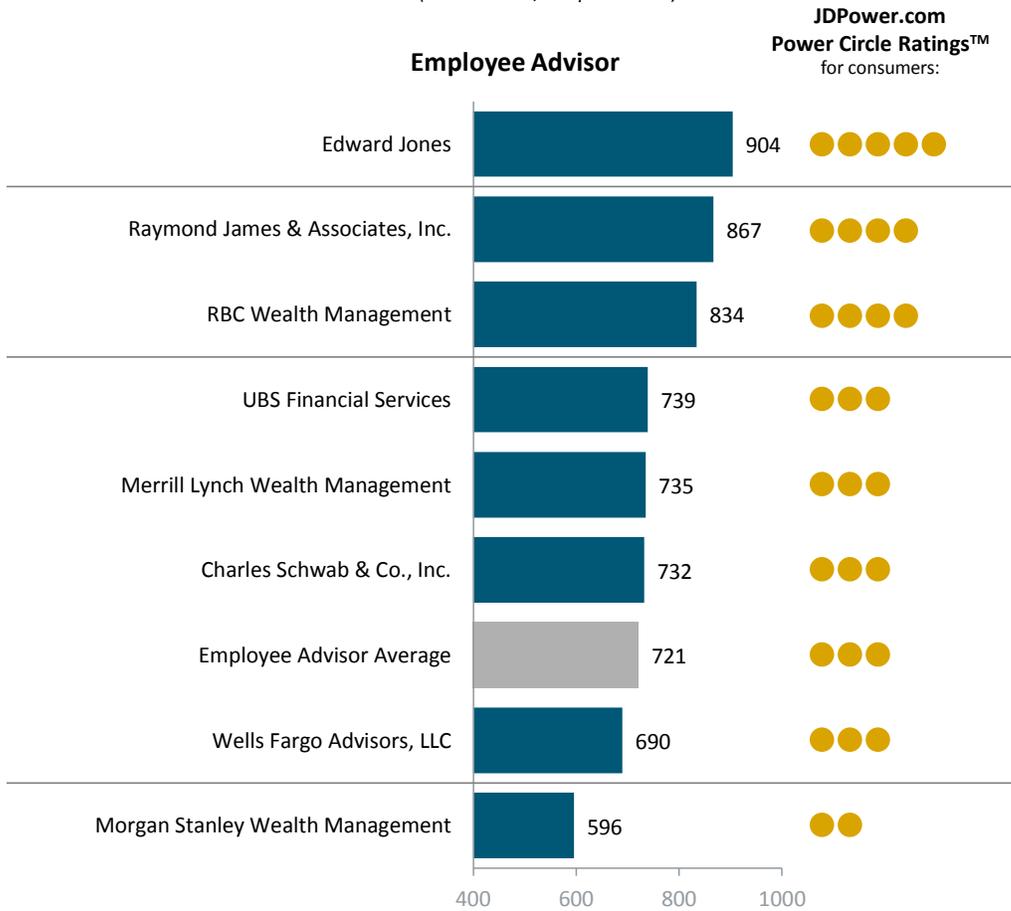
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Note: Two rank charts follow.

# J.D. Power 2014 U.S. Financial Advisor Satisfaction Study<sup>SM</sup>

## Overall Satisfaction Index Ranking

(Based on a 1,000-point scale)



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**Power Circle Ratings Legend**  
 ●●●●● Among the best  
 ●●●● Better than most  
 ●●● About average  
 ●● The rest

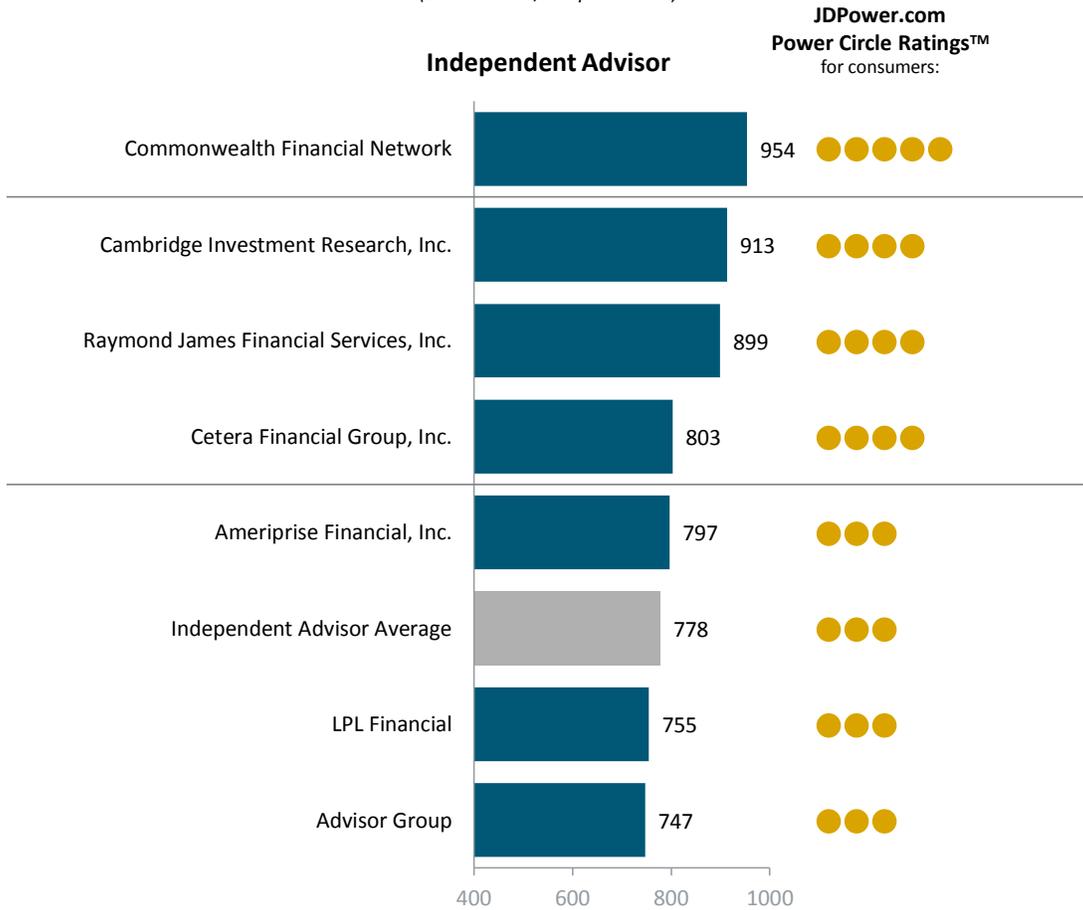
Source: J.D. Power 2014 U.S. Financial Advisor Satisfaction Study<sup>SM</sup>  
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