



The Anatomy of a Financial Adviser

A Measure of Personality and Happiness of those Professionally Engaged in the Delivery of Investment and Pension Advice.

Executive Summary **Mark Pittaccio**

My key findings are that -

- High levels of conscientiousness and intellect (openness to experience) were found in financial advisers.
- Both these traits significantly predicted fee levels obtained, therefore the more conscientious and open to experience the adviser, the higher the fees generated will be.
- High levels of happiness were reported by advisers with their chosen profession.

These findings can better inform the sector and have a major positive impact on the recruitment of new advisers and the retention and growth of those currently in the role. A wider understanding of this information may improve the public perception of the profession.

I have been engaged in the financial services profession for the past 25 years and in that time have witnessed a change in the nature and personalities of those who give regulated financial advice to clients. This change, however, has not necessarily been recognised by the wider financial services sector

and by the general public. An outdated stereotype of a high-pressure policy salesman is perpetuated in the minds of some senior management and investment managers. Also, my own experience gained as a consultant to the wider industry suggests that the public perception of advisers may not be too dissimilar. This caricature, I believe is more representative of advisers from the early 1990s than the advisers operating today.

Some twenty years ago the success of the adviser was purely measured and defined by their sales figures. Their remuneration and recognition were based on the volume of individual policies sold. Sales managers were rewarded with overrides on the teams that they managed, and their status was governed by that team's collective sales success. The licensing requirements to become an adviser were fairly basic and the business models heavily incentivised recruitment quantity rather than quality. Technical expertise and qualifications achieved were not differentiators in terms of remuneration, recognition or status, and the provision of holistic advice or an engaged ongoing client service was alien to most as remuneration structures were not designed to reward such activity. Everything centred around a transactional sale and poor compliance records of good sales people were tolerated by many organisations. This function was more sales orientated than advice orientated and tended to suit the outgoing, persuasive extravert who could put the sale above everything else. Of the 300,000 people calling themselves advisers in 1986, many represented large life assurance companies. The architecture of financial services that facilitated this business model has fundamentally changed, making them unviable today. There are now only around 26,000 advisers operating in the UK.

Over the past two decades the nature of advice and those that deliver it has changed. The transactional one-off sale has been replaced with advice and ongoing wealth management services and high front-loaded commission has been replaced by explicit customer agreed remuneration. Qualifications are required and the level of those qualifications and expertise is an individual differentiator in terms of remuneration and specialist career paths. The compliance records of advisers and those responsible for them are key

performance indicators for organisations and the consequence of noncompliance and client complaints are more serious.

As the architecture, structure, model, role and nature of advice has changed so has the profile of the individual best suited to deliver it. In my view this has brought the conscientious adviser to the fore. People high in conscientiousness are characterised as persistent, organised, thorough, careful and hard working. They exhibit self-discipline, dutifulness and caution. I wished to give some validity to this view by profiling a sample of those currently engaged in the delivery of regulated investment and pensions advice. If it is shown that advisers show high levels of conscientious, this may go some way to addressing the outdated perception that many people have, and this may encourage more people to seek the advice that will be of benefit to them.

My findings show that Advisers who are operating in the current regulated advice arena do show high levels of conscientiousness and this positively correlates with success. The level of fees generated has a significant, positive correlation with both Conscientiousness and Intellect or openness to experience. Both these traits would have assisted those individuals in dealing with the myriad regulatory changes they have faced and are now helpful to those who wish to succeed in a more rigorous compliance environment.

I also wished to gain a measure of the levels of happiness advisers had with their chosen profession and asked, 'how happy are you being a financial adviser?' High levels of happiness were reported by the vast majority of advisers irrespective of the number of clients or levels of funds and fee income generated. Levels of reported happiness therefore have no correlation with any of the metrics used to measure the success of an adviser. A vast majority of advisers reported high levels of happiness in being an adviser.

The profile of this sample set is of a conscientious individual whose intellect enables them to embrace new experiences and challenges and who is happy in their chosen profession. These findings can be used to evidence that becoming a financial adviser can be a fulfilling career choice and further assist in attracting new talent to the profession. Recruitment processes to

engage advisers may be more effective if certain characteristics associated with success in the profession are shown to exist and can be identified in applicants. Better advisers ultimately lead to a profession that better serves the consumer.