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**Riding the Coming Tsunami of Advisor Retirements**

Today the wealth management industry is a state of dynamic flux. First, we’re witnessing the greatest intergenerational transfer of wealth in human history as the Baby Boomer generation ages. In the next 25 years, $68 trillion in assets will shift to a new generation.

But in the advisor community, who is going to be advising and administering this dramatic handover? Because the second fact is that at the conclusion of 2017, U.S. financial advisors had an average age of 52. As a result, in the next 10 years, 111,500 advisors—approximately 37% of the workforce—are expected to retire, putting $7.8 trillion—almost 39% of the industry’s assets—into play, according to an October 2019 report by Cerulli Associates entitled [U.S. Broker/Dealer Marketplace 2019: Value Levers—Technology, Planning, and Practice Management](https://www.cerulli.com/publications/a8d27701-91d0-e811-a968-000d3a32c8b8/us-broker-dealer-marketplace-2019-value-leverstechnology-planning-and-practice-management?mkt_tok=eyJpIjoiWlRZd01EWTBNR1EwTkRaayIsInQiOiJcL1BXVkRJZlwvZlIwTUVRYmZXRzNiZW93ZFl3TW5VeDdxTUNZMHF6UWRTRmFOV1VWdEhEV1B3bTVBdHNLSU9LdVh1NVk5bjY0TElJVDdmZmxESFU2V1JCYVNIUnVZZTY0em00VTh2a2IwM21FV1wvN0FpalRzTjl1dG9Oc2FxaDlWQSJ9).

Overall, [40.7% of wirehouse advisors, 40.7% of independent broker/dealer advisors, and 39.7% of national and regional broker/dealer advisors](https://www.cerulli.com/about-us/press/2019-october-us-brokerdealer-marketplace-2019/) plan to retire and transfer their books of business in the next decade. Including all these channels, while 28% of these advisors who are anticipating retirement believe they’ll be handing over their books to fellow in-house advisors, 22% have formulated no succession plan.

The challenge to the wealth management industry now is how to synch up these two titanic capital shifts while retaining assets in-house. The solution, of course, is to replace this substantial cohort of advisors in preparation of the retirement wave, soon to become a tsunami. But how?

“We believe the solution to this dilemma requires a multi-part approach,” said [James R. Dickson](https://riabiz.com/a/2019/8/15/a-20-year-merrill-lynch-veteran-got-sanctuary-wealth-to-10-billion-in-aua-in-15-months-with-no-outside-capital-and-no-time-in-bed-nobodys-slept-since-april), Chief Executive Officer and Founder of [Sanctuary Wealth](https://www.sanctuarywealth.com/), an elite wealth management firm headquartered in Indianapolis, IN. “First, the advisory community as a whole needs to step up its recruitment efforts—both in terms of campus and post-graduate recruitment. We should promote greater diversity and inclusion, not only to expand our employee base, but also to align with the changing demographics of American society—our up-and-coming customer base. Second, we need to start formulating succession plans for advisors slated for retirement.”

Effective training programs are key to attracting and training high-quality advisors, Dickson added. Then these new advisors can be prepared to replace retiring ones as firms put into action strong succession programs.

“We also need to take a fresh look at our business model,” Dickson added. “The Cerulli report criticizes ‘firms that direct their training heavily toward product knowledge and sales strategies.’ In today’s ultracompetitive wealth management arena, clients are seeking a tightly integrated approach to wealth management that includes not only investment management, but philanthropic planning, tax-intelligent investing, socially conscious investment, alternative investment, and family wealth management that takes into account the complexities of passing on tremendous wealth to young heirs who might need guidance in avoiding pitfalls. Clients want perceptive advisors who can address *all* of their wealth management needs.”

Technology also comes into play in terms of fostering advisor success and making the profession more attractive to a younger generation. The wealth management arms of Morgan Stanley, UBS, and other firms [have been introducing new software tools](https://www.financial-planning.com/news/accenture-says-wealth-management-digital-transformation-may-be-driven-by-advisor-retirements) to increase advisor productivity and client engagement. A late 2018 [Putnam Investments survey](https://www.putnam.com/advisor/business-building/social-media?utm_source=advisorsocialstudy&utm_medium=pr&utm_campaign=040819&utm_content=main) reported that over 80% of financial advisors are using social media to communicate with clients and advance their practices, a sizeable increase over 2013.

“We all know that wealth management is by far the most lucrative—and expanding—segment of financial services today,” Dickson said. “But to keep up with this mass exodus of retiring advisors, we have to prepare *now*, by devoting our efforts to recruitment, training, succession plans, business model restructuring, and technological innovation. The coming intergenerational handover of $68 trillion in assets delivers to us an unprecedented opportunity to help our ultra-high-net-worth clients enhance and preserve their wealth and to strengthen our respective firms. But we shouldn’t regard it as a daunting challenge. Instead, we should embrace it as an exciting opportunity to ensure our continued success for generations to come.”