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SCHWAB

Capturing
opportunity
in a changing
environment

RIA Talent Advantage™ and
the case for an inclusive culture



Own your tomorrow®



Does your firm have the right talent to serve today's investor?

Shifting demographics

Investor demographics are changing. Women, younger people, and culturally and ethnically diverse investors are controlling more assets and asserting more influence over investment decisions. These are today's clients, as well as the clients of the future. Firms that want to succeed in this marketplace have a simple choice: rise to the opportunity of the evolving investor—or risk getting left behind.

The female imperative

Female investors in particular offer a significant and immediate opportunity for firms. They are also an important barometer for helping advisors understand the complexity of what it takes to meet the challenge of today's client base head-on.

Private wealth in the United States is expected to grow from \$14 trillion today to \$22 trillion by 2020, and 50% of it will be in the hands of women.¹

Between 2007 and 2010, the number of women earning over \$100,000 grew by nearly 17%, compared with just 2.3% growth for men.² And women already control a significant amount of today's wealth: In a survey of high-net-worth households, 84% of the female respondents said they were involved in making household decisions on investments.³

Yet many Registered Investment Advisor (RIA) firms are ill-prepared to attract and serve these investors. At least 44% of women wealth creators in the U.S. do not have a financial advisor. Of the women who do, 60% feel their advisor does not understand them⁴—a fact that has long-term consequences.

“The investor demographic is rapidly changing and new investors are looking for advisors who resemble them and understand their unique needs.”

— Jessica Heffron, Vice President, Schwab Advisor Services

Representation in the RIA industry

One roadblock to serving women clients is the shortage of female perspectives at RIA firms. Women are under-represented in the financial services field in general, and particularly when it comes to leadership positions: They comprise just 30% of all financial advisors and only 18% of executive officers in the finance and insurance industries.^{5, 6} Only half of RIA firms have females in client-facing positions.⁷

While women do not necessarily prefer a female advisor, they do expect their advisor to demonstrate gender smarts and exhibit inclusive behaviors.⁸ “A firm that includes a diversity of perspectives signals to women that this is a firm they can relate to. It shows that the firm welcomes women, understands what they value, and knows how to help them meet their goals,” says Leslie Tabor, Managing Director, Schwab Advisor Services.

Inclusive cultures

Creating affinity between firms and clients starts with taking an honest look at the working environment at RIA firms. Office culture is a fundamental element that affects firms' ability to attract female RIAs and, ultimately, all forms of diverse talent.

An inclusive culture enables everyone—regardless of gender, ethnicity, religion, or other factors—to be heard, valued, and empowered to reach their full potential. In short, an inclusive culture creates an environment where top talent wants to work and excel.

“For advisors to really drive growth in the future, they will need a more diverse talent pool of advisors to meet the demands of changing client demographics.”

—Bernie Clark, *Executive Vice President, Schwab Advisor Services*

Clients can sense a firm’s willingness to embrace the uniqueness of all individuals. It’s in the way employees talk and act; it’s in their approach to client service; and it’s in the brand a firm develops. Firms that create a culture where clients with different backgrounds feel welcomed and understood set their businesses up for sustained growth.

Variety of perspectives

Diverse organizations enjoy business benefits that homogenous ones do not,⁹ meaning advisor firms that attract a rich range of talent stand to gain. In nearly every industry, companies with diversity in their ranks and in leadership roles tend to be more successful. One recent study found that employees at publicly traded companies with inclusive leaders and a diverse workforce are 70% more likely than employees at non-diverse publicly traded companies to report that their firm captured a new market within the past 12 months.¹⁰

In another study, researchers found that companies with women on their boards performed better during the Great Recession than those with all-male boards. Shares of large-cap companies with women board members outperformed those without women board members by 26% between 2005 and 2011.¹¹

The challenge

Realizing the value of a diverse workforce is one thing. Building a firm where diverse talent is represented and well integrated throughout all levels of the organization is a different matter. Schwab is helping firms address the talent gap with a new program: **RIA Talent Advantage.™**

A diverse organization enjoys quantifiable business benefits that homogenous firms do not.⁹

—Ernst & Young



“[Having diversity at your firm] says you are a modern firm, you are an open-minded firm, and you are reflective of the broader world in which we live.”¹²

—Schwab RIA Talent Study participant

RIA Talent Advantage™

Changing the fundamentals

Schwab is taking the next step in helping firms prepare for the future. Through our RIA Talent Advantage program, we will help advisory firms address their ability to attract and develop diverse talent and serve today's investor. To begin with, we're focusing on enabling firms to advance in three key areas:

1. Building an inclusive culture

Advisory firms need to ensure that their work environments allow diverse talent to flourish and that potential new investors feel comfortable and represented inside the firm's doors.

2. Cultivating internal talent

Developing promising future leaders—particularly women and minorities—and ensuring that all employees understand how to serve a unique client base are critical to success.

3. Identifying and attracting new perspectives

Seeking out talent with different backgrounds and perspectives is a crucial component of a company's ability to successfully and profitably serve today's investors.

Schwab's commitment

Schwab is committed to ensuring advisors have the information they need to address these important areas. As part of the RIA Talent Advantage program, we're conducting innovative research and developing a curriculum that gives diverse talent the tools to excel. We're also providing tangible, actionable insights, and solutions through webcasts and educational events.

For advisors to drive growth in the future, they need a more diverse pool of talent, as well as an environment that allows that talent to flourish. Schwab will be with you every step of the way as you adapt your firm to meet the needs of an evolving market, and evolving investors.

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2. "What the Recession Has Done to the Rich," *U.S. News & World Report*, October 6, 2011.
3. Women and Financial Independence Study, conducted for Charles Schwab by Koski Research, June 2012.
4. *Harnessing the Power of the Purse*, Center for Talent Innovation, May 2014.
5. "Women and Financial Advising Careers: Perspectives and Priorities," Insured Retirement Institute, 2013.
6. "Fortune 500 Women Executive Officers and Top Earners," *2013 Catalyst Census*, December 2013.
7. Independent Advisor Outlook Study, conducted for Charles Schwab by Koski Research, April 2012.
8. "Boutique Financial Firms Have an Edge with Women Investors," INC.com, retrieved October 2014.
9. "The Vocabulary of Diversity," Ernst & Young, February 2010.
10. *Innovation, Diversity, and Market Growth*, Center for Talent Innovation, September 2013.
11. "Gender Diversity and Corporate Performance," Credit Suisse, August 2012.
12. 2014 RIA Talent Study, conducted for Schwab Advisor Services by Koski Research, June 2014.

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Schwab Advisor Services serves independent Registered Investment Advisors (RIAs) and includes the custody, trading, and support services of Schwab.

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Learn more about the need for exceptional RIA firm talent:

- Learn from your peers who are building a diverse workforce by viewing advisor videos and webcast replays posted to the RIA Talent Advantage website in the Resources section.
- Access additional intelligence and research, including the Schwab RIA Talent Study and Infographic Series, which highlight a growing body of research illustrating the need to increase workforce diversity. Visit advisorservices.schwab.com/insights.

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