The Kitces Report
Volume 2, 2023

What Actually Contributes To Advisor Wellbeing

2023 Advisor Wellbeing Study

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For more than two decades, Dan has directed a broad spectrum of industry executives toward a better understanding of how to succeed in the financial advisory marketplace. He has worked with broker-dealers, asset managers, leading RIAs, and every major industry custodian, helping to identify emerging trends in the distribution and demand for financial advice as well as best practices in firm management.

Once part of the Moss Adams consulting team that pioneered the field of advisor "practice management" in the mid-2000's, Dan later co-founded his own boutique industry research and consulting firm, FA Insight. After just seven years he successfully sold the firm to TD Ameritrade, one of the country's leading providers of brokerage and custody services.

His research and consulting experience covers a broad range of issues affecting financial advisors, including strategic planning, organizational design, compensation, operations, and M&A. For over a decade Dan led the production of the FA Insight Annual Study of Advisory Firms, a leading resource of critical intelligence for financial advisory firms as well as the institutions that serve them.

Dan began his career as a government economist, including several years leading the Bureau of Economic Research in the U.S. Virgin Islands, before overseeing the marketing research function for Russell Investments. Dan holds bachelor's and master's degrees in economics from the University of Washington and is a CFA Institute charter holder.

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In addition, he is a co-founder of the XY Planning Network, AdvicePay, New Planner Recruiting, fpPathfinder, and FA BeanCounters, the former Practitioner Editor of the Journal of Financial Planning, the host of the Financial Advisor Successpodcast, and the publisher of the popular financial planning continuing education blog Nerd's Eye View.

Beyond his website and many businesses, Michael is an active writer and speaker across the industry, and has been featured in publications including Financial Planning, the Journal of Financial Planning, Journal of Retirement Planning, Practical Tax Strategies, and Leimberg Information Services, as well as The Wall Street Journal, BusinessWeek, CNBC PowerLunch, NBC Nightly News, and more. In addition, Michael has co-authored numerous books, including "The Annuity Advisor" with John Olsen (now in 5th edition), and "Tools & Techniques of Retirement Income Planning" with Steve Leimberg and others.

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Introducing The Research

- Over 1,500 members of financial advisory teams responded to this year's Kitces Research wellbeing survey. As part of the 25-minute survey, respondents reported their current level of life quality, or wellbeing, based on a 0–10 scale. This wellbeing rating averaged 6.84 across all respondents, roughly in line with the U.S. population at large.

- While not statistically significant, the average 2023 advisor wellbeing rating is down slightly from the 7.05 mean Kitces Research estimated in its 2021 wellbeing study. However, this decrease appears to be due to the different compositions of respondents who participated in the 2021 and 2023 research efforts. This year's survey skewed towards newer and younger advisors (who tend to struggle in the early stages of their careers). Nonetheless, nearly all sub-groups of advisors appeared to exhibit at least some decline in wellbeing since 2021, with the sole exception being advisors beyond the age of 54. These older advisors exhibited a slight rise in wellbeing since 2021 and reported the highest average wellbeing levels of any advisor cohort in 2023.

- Advisors at both ends of the wellbeing spectrum are characterized as either "Struggling" or "Thriving", reflecting their sense of wellbeing and not necessarily a statement about the financial health of their advisory practices. Thriving advisors, reporting a wellbeing rating of 9 or 10, accounted for 14% of all respondents. Struggling advisors reported wellbeing at 5 or less, and coincidentally comprised another 14% of respondents.

- While it's nice to consider advisor wellbeing from the general sense that most people want to improve their wellbeing, our results show that investing in advisor wellbeing is good business, too. Compared to Thriving advisors, those Struggling were 4X as likely to be leaving their employer within the next 12 months. Nearly one in 10 Struggling advisors were extremely likely to be leaving their employer compared to just 1 in 50 Thriving advisors.

What Influences Advisor Wellbeing

- A combination of statistical techniques, involving both factor and regression analysis, helped identify and quantify the drivers that had the most meaningful influence on advisor wellbeing. At a high level, 3 overarching groups of characteristics emerged as being most influential on advisor wellbeing: Autonomy, Experience, and Team. Within each were a variety of related variables that combined to promote advisor wellbeing.

- The Autonomy factor represented advisors with command over their work schedules and confidence in their ability to effectively perform the responsibilities of the role they selected for themselves (given their autonomy to choose). Of Thriving advisors, 62% were in strong agreement that they were effective at their jobs, compared to just 18% of those Struggling. Most significant in driving wellbeing within this variable group were the number of hours an advisor worked; the typical Thriving respondent, for example, worked 9 hours per week less over the course of a year than a Struggling respondent, effectively amounting to a 4-day work week instead of a 5-day work week.

- The Experience factor characterized advisors with a proven track record in delivering advice to clients. Variables within this group driving enhanced wellbeing included age of the advisor, work experience, and maturity of the practice, as well as its clientele. The most influential Experience variable, however, was respondents' reported level of past wellbeing, which for Struggling advisors varied little from present wellbeing. Years of client-facing experience and practice development stage also were notably prominent wellbeing drivers. The typical Thriving advisor had 2 decades of experience working with clients, compared to just 7 years for those Struggling. As for practice stage, while just 2% of Thriving respondents worked in a startup or transitioning practice, 27% of those Struggling did, highlighting the difficulties of the early-career advisor in particular

- Team, the final "Big 3" wellbeing factor, comprised advisors who not only worked within robust service teams, but also highly valued the concept of teaming. Which is notable, as it implies that advisors who do not have a teaming preference in the first place will not automatically be happier by being forced into teams. Within this factor, the characteristic having greatest influence on wellbeing was being part of an ensemble team structure, where multiple advisors share resources and collaborate to serve clients under a consistent standard.

- Other factors that showed a material influence on wellbeing included the "Getting Paid What You're Worth to Serve" group and the "Entrepreneurial Business Builder" group. The former factor, playing a supplementary role in driving wellbeing, was characterized by those with a strong preference to serve and help others, with the caveat that the clients served value the advisor's time and pay their advisor accordingly (i.e., the advisor generates a healthy amount of revenue relative to the number of hours they work). The latter factor was unique in the sense that it had applicability to only a subset of advisors who were experienced, willing to take risks, motivated by building profitable businesses with enterprise value, and seemed to find the entrepreneurial flexibility of the advisor industry appealing.

What (Surprisingly) Has Little Or No Influence On Wellbeing

- With a desire to better understand what really influences happiness, Kitces Research analyzed literally hundreds of different variables reported by our survey respondents. Some of these variables, as noted above, were identified as key wellbeing drivers, others correlated with wellbeing but demonstrated little ability to directly influence it, while still more showed no influence or correlation at all contrary to initial intuition.

- While income did show some ability to influence wellbeing, the surprising result was that it did not have a more significant impact. Income did have strong correlations with more powerful direct wellbeing drivers, however, such as client-facing experience, advisor effectiveness, and the maturity level of a practice. The minimal significance of income as it relates to wellbeing may be because even the lowest paid advisors tend to be reasonably compensated relative to the population at large. Thus, advisors could be beyond the income range where subsequent increases make material differences in wellbeing, at which point the strongest wellbeing influences shift to other more "environmental" factors of being an advisor (e.g., the advisor's autonomy of work hours, and team support).

- While most demographic variables generally showed some correlation with wellbeing, gender was a surprising exception. Despite females tending to have somewhat less experience and earn less on an annual basis – which appears to be heavily due to their tendency to choose roles that have more stable income that results in less long-term upside - their wellbeing was not materially different than males. In contrast, wellbeing was notably lower for minorities, who tended to have an experience gap much greater than that for females. The typical minority advisor had just 9 years' experience compared to 14 years for non-minority advisors.

- The relationship between wellbeing and clients managed per advisor is a complex one, lacking clarity. Though while Struggling and Thriving advisors serve about the same number of clients (a median of 61 for Struggling versus 60 for Thriving), the composition of their client bases is quite different. The typical Struggling respondent, less experienced, managed a much less affluent group of clients that generated far less income for the advisor compared to those who were Thriving.

- While the worst of the pandemic is behind us, the debate continues regarding where office workers should work. Surprisingly, there is only mild correlation at best between wellbeing and an advisor's physical workspace. The average reported wellbeing rating for those advisors working out of a business office was 6.9, identical to those working from a common space at home. Though as noted earlier, advisor autonomy does matter; the unhappiest advisors were not those who worked from home or from an office, but those who didn't have the autonomy to choose based on their preference in the first place.

- While income showed a weak ability to drive wellbeing, the way in which advisors earned their income showed little correlation of any kind. The overall minimal variation may just be a result of advisors' ability to transition toward a pay structure that suits them best. Salary-based workers, for example, tended to express a preference for income stability. In contrast, those advisors dependent upon variable compensation in the form of profits or a portion of revenue tended to prefer taking on risk in exchange for potential upside income. However, advisors whose income from clients was commission-based or hourly – more transactional models – did show lower levels of wellbeing than those who generate their income in a recurring-revenue relationship model (e.g., AUM or subscription fees).

Key Areas Of Difference

- Certain advisor characteristics or attributes stood out for having distinct wellbeing differences. Chief among them, as noted, was the development stage and structure of an advisor's practice, where association with a mature practice and an ensemble team structure drove higher wellbeing. In contrast, advisors still in the startup stage or those not working in an ensemble structure typically rated their wellbeing far lower.

- Key differences in wellbeing are also evident according to the role an individual plays within the practice. While Lead and Service Advisors tend to enjoy the highest level of wellbeing, Associate Advisors reported the lowest. This is particularly concerning in light of industry succession challenges. Largely, though, Associate Advisor unhappiness appears to be due to their relative inexperience and feelings of ineffectiveness as they learn their roles, coupled with their more entry-level roles that typically offer limited autonomy.

- By status within a firm, contractors are another advisor segment that suffers from notably lower wellbeing. Their average wellbeing rating of 5.9 is well below the 7.0 average for owners of advisory firms, who were the happiest by firm status. Contractor wellbeing likely suffers due to the greater tendency of contractors to work in start-ups, their comparative lack of client-facing experience, their typically lower earnings, and being less likely to have access to team support and shared firm or platform resources.

Lessons Learned

- Wellbeing improves with experience. Due to lack of experience, the early years of an advisor's career are typically the toughest, but there are ways to make the early-career stage more manageable. New advisors should aim to avoid 'eat what you kill' entry roles and working in start-ups. These are both scenarios where earnings are heavily dependent upon business development success, with the risk of failure preventing the new advisor from progressing to the more experienced, and less stressful, career years ahead.

- Newer advisors would also be well-served to seek ways to accelerate their learning to gain greater expertise over a compressed period of time, including taking advantage of training and mentoring opportunities, and participating in client meetings (given that client-facing experience showed a more positive wellbeing impact than general industry experience).

- The critical role of autonomy in driving wellbeing cannot be understated. While firm ownership is the most direct route for maintaining a greater sense of autonomy, many advisors are not yet at the point in their careers where ownership is a realistic option. If not, potential exists for advisors to achieve greater autonomy, especially regarding control over work scheduling and hours worked, by achieving gains in efficiency. Opportunities for greater efficiency include workflow improvements, technology solutions, additional staff support, or working within ensembles or via platforms that provide middle- and back-office support.

- For advisors with team spirit, finding a team to work on is another important pathway to enhanced wellbeing. While not all advisors have a team preference, those who do showed greater happiness when they had found an ensemble team they could be a part of. Though even amongst advisors who were not specifically team-oriented, being able to focus on the parts of the job they enjoy most, and delegate the rest, was associated with greater advisor wellbeing.

- In conclusion, the key to unlocking the wide range of opportunities that lead to greater happiness is being mindful of what actually drives wellbeing and the drivers that are most directly under the advisor's control. Better wellbeing is obtainable for almost any advisor under the right set of workplace conditions – even if this requires a change in employer or platform.

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Introduction

Measuring Wellbeing

Wellbeing Is Worthwhile

Feeling And Functioning Well

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Stronger Engagement

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Introduction

Benchmarks permeate the world of financial planning. As most readers know, the first commonly accepted benchmark for investment performance was the Dow Jones Industrial Average, introduced over a century ago. Today, financial advisors can turn to literally thousands of indices worldwide for assistance with managing and monitoring client portfolios.

In the 1990s, accounting firm Moss Adams collaborated with the Financial Planning Association to develop and release research benchmarking the business health and performance of financial advisory practices. Now, there are a host of these business benchmarking studies available to advisors (including several conducted by Kitces Research) that offer guidance for improving and growing advisory businesses.

Overlooked until 2020, however, was any comprehensive attempt to benchmark the wellbeing of advisors themselves. In that year, Kitces Research completed its first advisor wellbeing study and, by doing so, gave long overdue attention to what is likely the most fundamental indicator of success in the financial planning field – the personal happiness of financial advisors themselves!

Monitoring wellbeing is important not only because happiness – not a balance sheet – is the fundamental driver of success for many advisors, but also because advisors who enjoy what they do are also more likely to remain advisors and serve their clients well.

Measuring Wellbeing

While happiness provides a rough synonym, psychologists who study wellbeing define it more formally in terms of a combination of feeling good and functioning at a high level. This includes happiness, but also extends to other positive feelings such as having control over your life, being content, and feeling valued.

Acknowledging the many facets of wellbeing, the Kitces Research survey included a host of questions that explored these related topics. Many of our wellbeing-related survey questions drew from the "Brief Inventory of Thriving", a construct developed by psychologists Rong Su, Louis Tay, and Ed Diener, for capturing a comprehensive overview of wellbeing and positive functioning.[1]

Kitces Research also deployed the "Cantril Ladder" among its survey questions, a more simplified wellbeing measurement approach. Officially referred to as the Cantril Self-Anchoring Scale, the measure was developed in 1965 by Dr. Hadley Cantril, a pioneering social researcher.[2] Respondents are told to think of a ladder, with the best possible life being a 10 and the worst possible life being a 0. They are then asked to rate their own current lives on the scale of 0–10.

The simplicity of the Cantril rating scale offers an easy yet effective metric to use as a first point of distinction in understanding differences in wellbeing across advisors. (Though despite, or perhaps because of, its apparent simplicity, the Cantril Ladder is a widely used measure of wellbeing in large-scale wellbeing studies, most notably in international research conducted by the Gallup Organization across 160 countries.)

[1]Su,Tay and Diener. Journal Applied Psychology: Health and Wellbeing, pp. 251-279, 2014 (iaap-journals.onlinelibrary.wiley.com/doi/10.1111/aphw.12027)
[2]Cantril, H. (1965) The pattern of human concerns. Rutgers University Press, New Brunswick.

In addition to frequent references to the average Cantril rating of well-being, throughout this report we segment respondents according to where they self-reported on the 0–10 Cantril Ladder. "Thriving" advisors are compared to those who are "Struggling". Thriving advisors rated life quality a 9 or 10 on the Cantril Ladder. These advisors accounted for 14% of our respondents. Struggling advisors rated life quality at 5 or less. These advisors represented 20% of the responses.

Wellbeing Is Worthwhile

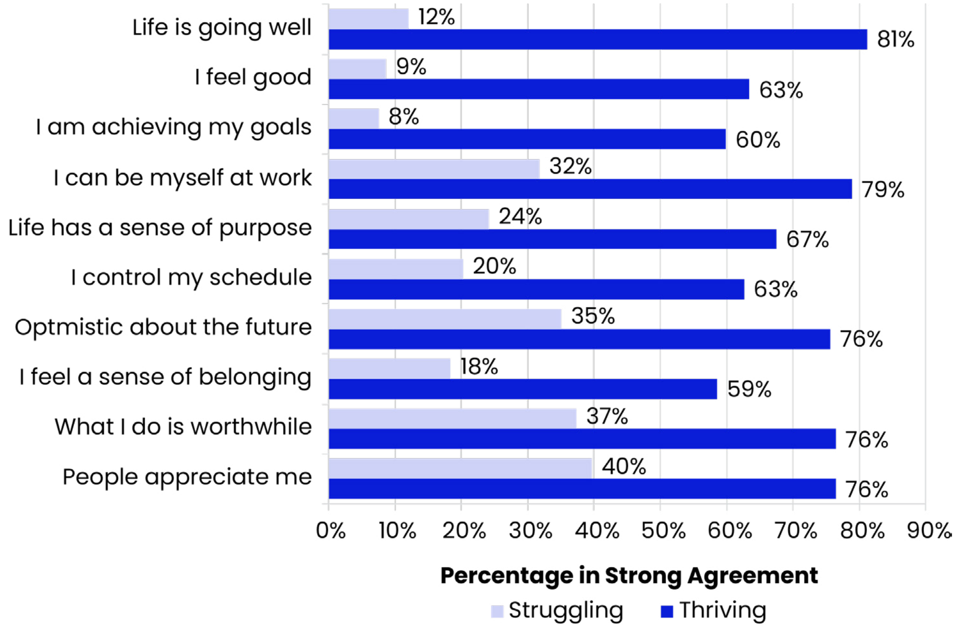
Why does wellbeing matter? As Cantril summarizes, positive wellbeing is indicative of an individual living their "best possible life". This alone is a powerful argument for why a focus on wellbeing is so important – the association of wellbeing with living a fulfilling life, day in and day out. That said, there are also economic benefits associated with greater wellbeing, either in terms of enhanced business performance or an improved ability to engage and retain team members.

Feeling And Functioning Well

Figure 1.1 details the connection between positive wellbeing and living the best life possible. The figure compares Thriving and Struggling respondents based on their Cantril rating against their responses to questions that probed more specific aspects of wellbeing (many of which originate from the Brief Inventory of Thriving). For every sentiment tested, Thriving respondents were at least twice as likely to be in strong agreement relative to their Struggling peers.

Differences were especially dramatic for "I am achieving most of my goals", where those Thriving were 7X more likely to be in strong agreement (60% versus 8%). The difference is especially notable in light of prior Kitces wellbeing research that found financial advisors were dramatically more likely to be goal-oriented relative to the population at large.[3] This further implies that the inability to achieve goals is especially stressful in the financial planning industry.

Figure 1.1. Correlation Of Wellbeing With Other Positive Feelings, Struggling And Thriving



Differences were nearly as great for the "I feel good" and "Life is going well" sentiments. Clearly, higher wellbeing exemplifies an individual who is feeling good and functioning well.

[3] kitces.com/blog/advisor-wellbeing-happiness-second-kitces-research-study-launch/

Better Business Performance

Business success also shows a strong correlation with wellbeing, regardless of the performance metric. The caveat here, however, is that correlation doesn't necessarily equate with causation. In other words, because of their happiness, advisors might be better able to achieve productivity and profitability. But conversely, another explanation is that advisors grow happier as their practices become more successful.

That said, across virtually every significant measure of advisory practice performance, the business outperformance of Thriving respondents is undeniable. Thriving advisors best their Struggling peers by a considerable margin in terms of greater generation of revenue, income, and profits. Additionally, they achieve this while spending a greater share of time with clients. Across most key performance indicators, Thriving respondents are achieving at about double the rate of Struggling respondents.

It must be noted, however, that the role of experience further complicates our understanding of the relationship between wellbeing and business success. As will be explored in more detail ahead, experience can be a key driver for both business success and wellbeing itself. Increasing experience sets off a chain reaction in terms of experience, yielding greater productivity, which leads to a greater level of income for the advisor that ultimately supports a higher level of wellbeing. Thus, it's not surprising that Struggling respondents tend to be less experienced, whereas Thriving respondents are more experienced.

To limit the influence of experience, Figure 1.2 compares Struggling and Thriving business indicators for only advisors with 7 or more years of client-facing experience. While this adjustment narrows the gap, the outperformance of those Thriving versus those who are Struggling remains significant. Except for clients per advisor (more on this further ahead), experienced Thriving advisors exceed their Struggling peers by about 50% or more on every measure. This compares to an advantage of about double before adjusting for experience.

Figure 1.2. Key Business Metrics, Experienced Advisors, Struggling And Thriving

Group Median*	Struggling	Thriving
Clients Per Advisor	65	60
AUM Per Advisor	$53,000,000	$70,875,000
Revenue Per Advisor	$294,946	$505,000
Income Per Respondent	$150,000	$412,500
Hourly Earnings	$69	$244
Revenue Per Client	$4,545	$6,481
Advisor Income Per Client	$2,143	$4,829
Gross Margin**	63%	79%
Share of Time Meeting With Clients	14%	20%

**Results include only advisors with 7 or more years of client-facing experience.*
***Gross margin is defined as advisor income as a share of client revenue.*

Hourly earnings are likely the most notable area of highlighted outperformance. Defined in terms of annual earnings divided into total hours worked during the year, hourly earnings for experienced Thriving respondents are 3.5X more than their Struggling counterparts. In essence, even within similar experience levels, those Thriving have figured out how to get paid more for the value they're providing.

The fact that Thriving experienced advisors manage fewer clients (60 versus 65) suggests potential gains in wellbeing due to managing fewer clients, but more notable is that the fewer clients managed are larger in terms of AUM and generating more revenue per client. This further reinforces that advisors tend to be happier when they are paid more for their time and expertise… which in turn often means working with more affluent clients who have more complex problems and greater financial wherewithal to pay for valuable advice to address those problems.

Further, Thriving advisors are investing a greater share of their time with clients despite having fewer of them. This signals that Thriving advisors may also have an advantage in the ability to better leverage their time. On the other hand, it's also notable that even Thriving advisors spend 'just' about 20% of their time with clients, which amounts to only about 8 hours per week of client meetings, or an average of little more than 2–3 client meetings per day, 3–4 days per week.

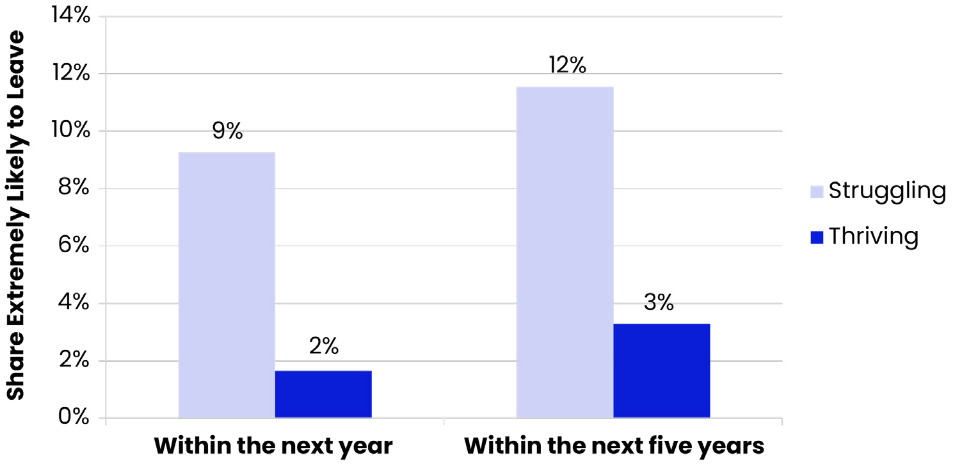
Obviously, there are a host of variables at play that interact with wellbeing – some are more clearly influencing wellbeing, others more clearly influenced by wellbeing, and still, for other variables, the direction of causation is less clear. These complexities are explored in more detail further ahead.

Stronger Engagement

Employee (or affiliated-advisor) engagement is also strongly aligned with wellbeing. Whether it is couched in terms of attachment to an employer, a platform, or the industry at large, those with higher wellbeing are much more likely to stay put with their firm (while those who are struggling are more likely to both leave their firm and leave the industry altogether). While there are nuances to be explored ahead, greater wellbeing will generally drive stickier engagement, as opposed to engagement driving wellbeing.

Specifically, our research found that Thriving advisors are about 4X less likely to leave their current employer or platform relative to Struggling respondents, regardless of whether the departure is planned within the next year or the next 5 years (Figure 1.3). This 4:1 ratio also holds across both time periods in terms of the level of interest in interviewing for a new employer or platform. Within the next year, 9% of those Struggling are extremely likely to leave; this share increases to 12% when the window extends to 5 years. Simply put, when financial advisors don't feel that life is going well and are failing to achieve their goals (key wellbeing inputs, as previously noted), they're significantly more likely to look for greener pastures.

Figure 1.3. Likelihood Of Leaving Employer Or Platform, Struggling And Thriving



In this context, positive wellbeing is particularly important for employers or platforms interested in minimizing advisor turnover and retaining their employees or affiliates in what is a very competitive market for both. From the individual's perspective, however, they too are poised to gain if improving wellbeing strengthens their attachment to their employer or platform. Making a switch can also be costly and stress-inducing for the advisor, whether it be a transition to finding a new employer or a new platform.

Research Objectives

Whether at a personal level or a business level, an individual's state of wellbeing can have weighty implications. Considering the potentially significant effects based on changes in wellbeing, this report strives to better understand the level of wellbeing across industry participants and how overall wellbeing might be changing over time. In particular, the aim is to identify the factors that most drive personal wellbeing (and what doesn't).

The report is the 3rd in a Kitces Research series on advisor wellbeing, which began with the launch of our first wellbeing survey in 2020. As such, it builds on what we learned from previously collected data, expands on what was learned in the past, and addresses questions previously unanswered. Guidance is also offered for how industry participants can best optimize their own personal wellbeing.

Survey Participants And Methodology

This report utilized data collected online from August 21st through September 21st of 2023 via the Kitces.com platform. Participation in the Kitces Research survey was promoted through email, social media, and calls-to-action alongside Kitces.com's educational content material.

Eligible respondents included individuals working in financial advisory practices who demonstrated a minimum 1-year business history of providing financial advice or implementing investment products in the U.S. for retail consumers.

In addition, study participants were limited to individuals with a role in managing or supporting the delivery of financial advice within an advisory practice (as opposed to those in operations or other purely back-office roles). Also included were responses from those in financial planning specialist roles, and primary firm owners or key executives (CEO, President), regardless of any current direct client-facing accountabilities, as both roles are increasingly part of the path that practicing financial advisors pursue over their careers. The survey was open to respondents of any industry channel.

More than 1,500 at least partially responded to the roughly 25-minute survey. Of these, nearly 900 provided responses that met our stringent qualification and completeness criteria, allowing us to report most results within a narrow +/- 3% margin of error. Participants reported based on their work with clients either as unsupported solo advisors or as part of a bigger client service team.

While the central component of the survey was wellbeing, respondents also provided information about their current work environment, work accountabilities, work-related preferences, and their perceptions of job performance. In addition, survey questions also covered demographics and income, as well as operating characteristics of the respondent's practice.

Given that the survey drew from Kitces.com readers, it is important to also recognize that this group is somewhat unique as a sample of the broader financial advisor community. The readership is generally more advice-centric and planning-centric relative to the broader industry that still has more of a product-sales tilt. This matters because results by the very nature of those sampled may not be fully representative of all those who call themselves "financial advisors". Conversely, the results should be especially meaningful to "financial advicers" – those who are in the business of delivering financial advice (not selling products) to clients and getting paid for financial (planning) advice itself.

While participants may have been limited to Kitces.com readers, they represented a wide range of professional organizations (Figure 1.4).

Figure 1.4. Respondent Membership By Organization

Organization	Share With Membership
FPA	35%
NAPFA	27%
XYPN	15%
CFA Institute	7%
FSI	7%
IWI (formerly IMCA)	6%
AICPA PFP	5%
Kingdom Advisors	3%
NAIFA	3%
Society of FSP	2%
NAEPC	2%
Garrett Planning Network	2%
Alliance of Comprehensive Planners (ACP)	1%
Other	10%
None	29%

Across respondents, the median age was 50, with 19 years of industry experience being the most typical. Represented practices most commonly were 'pure' RIAs, with no other channel affiliations, though nearly 40% of the participants were affiliated with brokerage channels. The median age of these practices was 13, with years in business ranging from 1 to well over 20. The majority of revenue was most often generated by AUM fees, with 90% as the typical share. In terms of service teams, the typical respondent was part of a 3-person team. Teams handled a median of $650,000 in revenue, with the typical client maintaining $900,000 in investable assets. (See Figure 1.5 for further detail.)

Figure 1.5. Summarizing Survey Respondents

Respondent Age	40–59 Years
Age of Respondent's Practice	6–23 Years
Primary Industry Channel	57% Pure RIA
Service Team Size (including all advisors)	1–5 FTEs
Service Team Revenue	$260,000–$1.5M
Share of Revenue Dependent Upon AUM Fee	60%–99%
Clients Served by Team	60–264
Typical Investable Assets Per Client	$500,000–$1.5M
Share of Clients 55 Years or Older	50%–75%

Ranges represent 25th to 75th percentiles unless noted otherwise.

Current State Of Advisor Wellbeing

2

Advisor Wellbeing Relative To U.S. At Large

Trends Over Time

Wellbeing Drivers That Matter Most

Other Notable Wellbeing Drivers

Advisor Wellbeing Relative To U.S. At Large

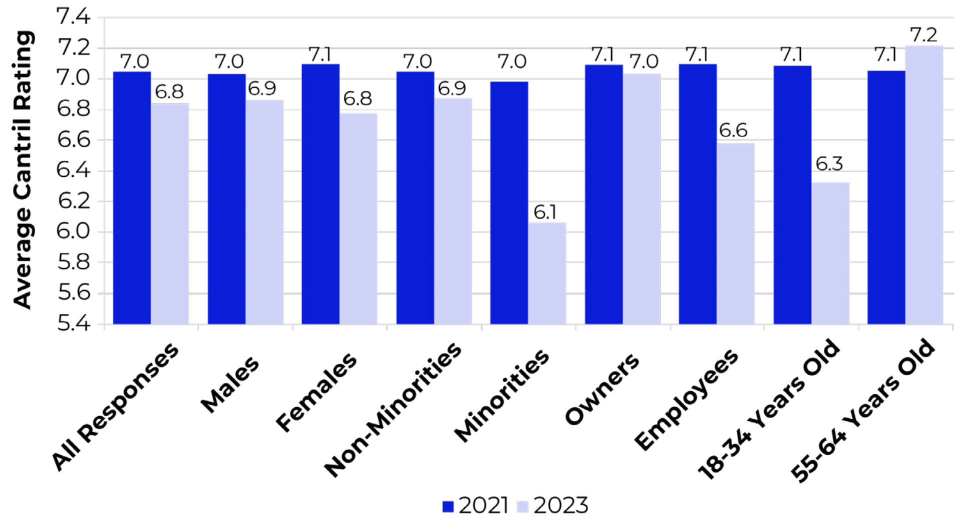
When asked to think of a ladder, where the best life is a 10 and the worst possible life is a 0, Kitces study participants responded with an overall average rating of 6.84. This methodology mirrors the same Cantril-based methodology that the Gallup Organization employed in their support of the World Happiness Report. For perspective, wellbeing among financial planning professionals is about the same as it is for the population at large. In 2022, according to the World Happiness Report released in 2023, the U.S. national average was 6.89.[4]

Trends Over Time

While the wellbeing of financial advisors fares well relative to the U.S. population at large, there are signs of a slight decline relative to the last Kitces Research wellbeing study. While not statistically significant, the average 2023 Cantril rating is off 3% compared to the 7.05 mean respondents reported in 2021. This aligns with responses to a related question. When asked about the statement, "My life is going well." 44% strongly agreed in 2021 compared to only 40% currently.

More dramatic declines in wellbeing emerge, however, within different segments of respondents (Figure 2). Of concern is that the greatest declines in wellbeing occur among the groups that are least represented within the financial planning industry. Drops in average Cantril ratings are most severe among minorities and younger industry participants. Mean ratings for minorities and 18–34-year-olds, respectively, fell 13% and 11%. Employees and females also register prominent declines.

Figure 2. Changes In Wellbeing By Select Segments, 2021 Vs 2023



The wellbeing declines for these groups are notable, as women, minorities, and younger advisors are all domains where the industry has placed significant recruiting effort in recent years. On the one hand, this implies the makeup of these segments is changing in ways that may be determinantal to wellbeing – these segments generally have less experience and lower income than they had in 2021, characteristics associated with lower wellbeing.

Nonetheless, these research results suggest that firms may not be effectively training and supporting those groups as they are recruited, resulting in declining overall wellbeing as more come into roles where they may be struggling. This is especially surprising and concerning, given that the prior Kitces Research study occurred in 2021, in the midst of a year when advisor wellbeing was significantly disrupted by the ongoing impact of the COVID-19 pandemic.

[4] Helliwell, J. F., Layard, R., Sachs, J. D., Aknin, L. B., De Neve, J.-E., & Wang, S. (Eds.). (2023). World Happiness Report 2023 (11th ed.). Sustainable Development Solutions Network.

Despite indications across Kitces surveys that advisor wellbeing has declined over time, 2023 survey respondents report that they still feel they are making progress relative to where they were in the past. That is, when current study respondents were asked where they resided on the Cantril scale 5 years ago, wellbeing averaged just 5.0, about 3/4 the level of where they stand now on average.

Given that advisors rate their Cantril scores so much higher today than where they felt they were 5 years ago, does this suggest that wellbeing within the industry is actually on the upswing? Not likely – the results aren't exactly comparable. Comparisons across the 2 Kitces studies, representing 2 sampling groups for 2 different points in time, are most indicative of how differences in working conditions and societal factors at these 2 points in time influence the general level of wellbeing for financial planning professionals. By contrast, improvement in wellbeing among the current respondents may be more reflective of improvement due simply to aging.

Much of the academic literature on wellbeing is in general agreement that the relationship between wellbeing and age is U-shaped, with life satisfaction being higher in our early years, hitting a trough somewhere within the range of 35 to 50 years, and rising again before eventually plateauing or declining beyond 70 years in age.[5] With about 2/3 of Kitces respondents beyond the age of 45, most have hit this 'wellbeing trough' and are seeing life satisfaction now accelerate, as is supported by the jump seen in current Cantril scores versus where respondents felt they were 5 years ago. (This may also help to explain why 55–64-year-olds were among the only advisor segments that showed an increase in wellbeing relative to our prior study).

Wellbeing Drivers That Matter Most

Throughout this report, there are examples where many of the characteristics associated with wellbeing interact with each other, making it challenging to discern what really matters in terms of an impact on wellbeing. For instance, while age correlates with advisor wellbeing, it's not among the more important drivers of wellbeing, given that advanced age is also associated with more direct drivers of wellbeing such as greater client-facing experience and the likelihood of not being in the difficult developmental stage of a startup practice.

As a result, while a host of respondent characteristics are strongly correlated with wellbeing, just a subset was identified as potentially influencing wellbeing. Furthermore, for some of these influential variables, the influence was not significant enough to be meaningful.

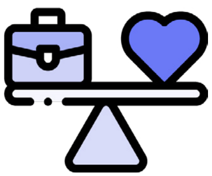
Considering these complex relationships, Kitces Research used factor and regression analyses to determine the principal drivers for advisor wellbeing, thereby assisting readers to focus on the most efficient path for improving their own wellbeing. We first conducted factor analyses, a statistical technique that groups together related variables, thereby assisting in identifying underlying themes in the data and narrowing the research focus to only those characteristics that showed the most promise in influencing advisor wellbeing.

Regression analyses enabled multiple potentially influential variables to be examined in a singular model and the identification of only those correlated characteristics that more directly influenced wellbeing. Furthermore, regressions went beyond merely identifying correlations

[5] researchgate.net/publication/256058194_How_Does_Subjective_Well-Being_Evolve_with_Age_A_Literature_Review

by estimating the unit-for-unit effect size of variables relative to others. Based on effect sizes, the more influential variables could then be set apart from others that were less influential but correlated with wellbeing due to their interaction or relation with more direct drivers of wellbeing. The result was an enhanced ability to gauge which characteristics were the most important drivers of wellbeing for financial advisors in terms of both significance and effect size.

Through factor analysis, several groupings of variables emerged as predictive of wellbeing, thereby guiding our ability to better understand it. Among these, 2 factors – "Autonomy" and "Experience" – were most strongly related to enhanced wellbeing. They are summarized here briefly, along with other influential but less significant clusters. More detailed discussions of all these predictive drivers and their component variables are provided further ahead in the report.



Autonomy. Advisors that best fit within the autonomy cluster prioritized work-life balance, had enough command over their work schedule to work their desired (typically lower-than-average) work hours, and was confident in their ability to perform their role. Among the specific variables that contributed to wellbeing within this factor cluster, the most significant were working fewer hours per week and feeling effective on the job.

For example, Thriving respondents, on an annual basis, put in just 79% of the number of work hours that Struggling respondents did. While those Thriving averaged just 34 hours per week over the course of a year (including vacation time), Struggling advisors averaged 43 hours per week – a greater than 1-day per week difference! On average, the difference in weekly work hours accounted for about 7% of the difference in wellbeing between Thriving and Struggling advisors.

Regarding effectiveness, while 62% of Thriving respondents strongly agreed that they were effective at their jobs, just 18% of those Struggling were in strong agreement. Given a 6-point scale, where "1" represents strong disagreement and "6" conveys strong agreement, Thriving respondents averaged a 5.6 rating in response to the statement, "I feel effective at my job". That is, most were close to strong agreement. By contrast, the Struggling respondents averaged 4.6 on the ratings scale. Every 1-point move up this scale of agreement with effectiveness predicted a 9% improvement in wellbeing in terms of the individual's current Cantril rating. For the typical respondent, their on-the-job rating of their own self-effectiveness accounted for 39% of their current wellbeing score. Simply put, it's hard to be happy as a financial advisor if you're not feeling confident that you're good at it yet.

Experience. The experience cluster typifies an advisor with an established history, particularly as it relates to the business of financial advice. Being an older advisor with more years of experience – long past the 'startup' stage of the practice – and with a mature practice that includes an older (typically more affluent) clientele were all associated with greater levels of advisor wellbeing. The typical Thriving advisor was 11X more likely to be past the early startup or transitioning stages of the practice and had 2 decades of client-facing experience (compared to only 7 years for the typical Struggling advisor).

Most influential on wellbeing within this cluster of variables, though, was what level of wellbeing an individual maintained in the past. When asked to report what their wellbeing felt like 5 years ago, the average Cantril rating for advisors who are Thriving today was 6.7 in the past, compared to 4.0 for those Struggling. With a current average Cantril rating of only 4.1, Struggling advisors continued to struggle, while Thriving advisors managed significant improvement in recent years, their average wellbeing jumping to 9.2 currently.

Put another way, the typical respondent's past wellbeing accounted for 18% of their current wellbeing, implying that advisors who are struggling with low wellbeing, in turn, struggle to turn their situation around. Though it's not clear whether these wellbeing challenges are due to difficulties in their advisory practices, other external factors in their personal or family lives, or simply because advisors who are not happy and satisfied with their lives tend to remain unsatisfied.

Team. While not as significant as the autonomy and experience factor clusters, team-related characteristics also formed a cluster that demonstrated a clear influence on wellbeing.

Advisors who worked in an ensemble firm structure – where multiple advisors come together to pool their resources and their profits, collaborating to serve clients under a consistent standard – tended to have greater wellbeing. In addition, such team-oriented advisors tended to espouse an outright desire to work on a team instead of on their own, to be more interested in a purpose-driven environment (e.g., sought a chance to "be a part of something greater"), and felt a drive to continue to expand their clientele and serve more clients.

Other Notable Wellbeing Drivers

In addition to the 3 most key drivers – Autonomy, Experience, and Team – 2 other factors that appear to influence wellbeing are worth noting. The "Entrepreneurial Business Builder" and "Getting Paid What You're Worth to Serve" clusters, summarized below, also demonstrated an association with greater wellbeing, albeit less significant and more case-specific.

Entrepreneurial Business Builder. The business builder factor cluster is unlike the others in that its influence on wellbeing was more specific to a certain type of advisor rather than applicable across most survey respondents.

Despite the promise of high or even unlimited income potential being a traditional recruiting approach for enticing new advisors to the industry, our research found that those advisors who are primarily motivated by money but not purpose are actually associated with lower wellbeing. They often appear to get stuck on the proverbial treadmill of goals that are never achieved – once the advisor attains one income goal, another higher goal is set, and there's always an unachieved gap.

As the purpose-driven Team factor above demonstrates, it isn't always about the money. Advisors with a desire to build high-earning practices, however, are not universally unhappy. A unique segment of those with a more entrepreneurial mindset did, in fact, show a positive leaning on wellbeing, given the "build and own your own business" opportunities that the financial advisory professional often provides.

The defining characteristics of the (happier) entrepreneurial business builder included a preference for being rewarded not just for personal ability, but to earn income by building enterprise value. Further, they showed a tolerance for risk and a willingness to forego the income stability that comes with such entrepreneurialism. These advisors also tended to be more experienced, but not likely due to experience driving wellbeing on their own. Rather, experience is more of a requirement for a successful entrepreneur. Building a business takes time – not just to get out of the startup phase, but to progress to the point where the business has real value and to learn the skills it takes to do so.

Getting Paid What You're Worth To Serve. While wellbeing is generally driven by autonomy, team, and experience factor clusters, the "Getting Paid What You're Worth to Serve" factor tended to further supplement wellbeing. This variable group characterizes advisors who have a strong motivation to serve others, get in front of clients, and deliver advice… but these advisors also tended to find greater wellbeing by serving clients who really valued the advisor's time. (This resulted in higher income for the advisor's time serving clients and a higher profit margin per client.) Simply put, these advisors were motivated to serve clients, but tended to be happiest when working with clients who could really pay what the advisor's time and expertise was worth.

3

Advisor Wellbeing From 4 Perspectives

Perspective 1: Who You Are

Perspective 2: What You Do

Perspective 3: Where You Work

Perspecitve 4: What You Earn And How You Are Paid

4 Perspectives That Shape Wellbeing

Clearly, a variety of factors work in concert to shape an individual's wellbeing. Some of these directly impact wellbeing; others may associate with wellbeing but don't drive it directly. In addition, there are other characteristics still that might logically be presumed to have influence or association but bear little or no actual relationship.

To make better sense of what is or isn't relevant (and why), this stage of our report transitions beyond an overview and offers a more detailed analysis of all the attributes that are associated with wellbeing (as well as some that don't). Like our 2021 Wellbeing Study, the discussion is organized according to 4 perspectives:

- Who You Are
- What You Do
- Where You Work
- How You Are Paid

From these 4 perspectives, plotting a course of action for improving personal wellbeing becomes a more manageable challenge. Certain perspectives, such as "Who You Are", consist of characteristics that relate to wellbeing but may be difficult or impossible for individuals to change (e.g., age, minority, or gender). Characteristics defining other perspectives, such as "Where You Work" or "What You Do", are comparatively easier to change and, consequently, may represent more fruitful areas for focus when seeking wellbeing improvement. Based on their own characteristics, readers can determine where they fit within this structure and then customize their path to better wellbeing accordingly.

Figure 3. Wellbeing From 4 Perspectives

Who You Are

- Demographics
- Experience, Education, and Memberships
- Status in the firm
- Personality Attributes

What You Do

- Work Performed
- Workload
- Perceptions of Work

Where You Work

- Industry Channel
- Practice Lifecycle Stage
- Service Team
- Clients Served
- Work Environment

What You Earn & How You Are Paid

- Annual Income
- Hourly Earnings
- Compensation Structure
- Client Revenue Sources

Respondent characteristics under the realm of "Who You Are" include basic demographics, work experience, credentials, involvement in professional associations, status with your firm, and personality attributes. Many of these are mostly fixed, offering a limited opportunity for adapting to a position that supports improved wellbeing. Some of these factors are more open to modification, however.

Demographics

For the most part, an individual's demographic attributes are among the least flexible to change. All the key demographic variables examined showed at least some correlation with wellbeing. Except for certain personality attributes, however, none were found to directly drive wellbeing.

By **gender**, 71% of respondents were male, a decrease from 75% representation in our 2021 Wellbeing survey. However, males represented a proportionately greater share (74%) of Thriving respondents. The difference in Cantril ratings is slight, though, with males overall averaging a rating of 6.9 compared to 6.8 for females.

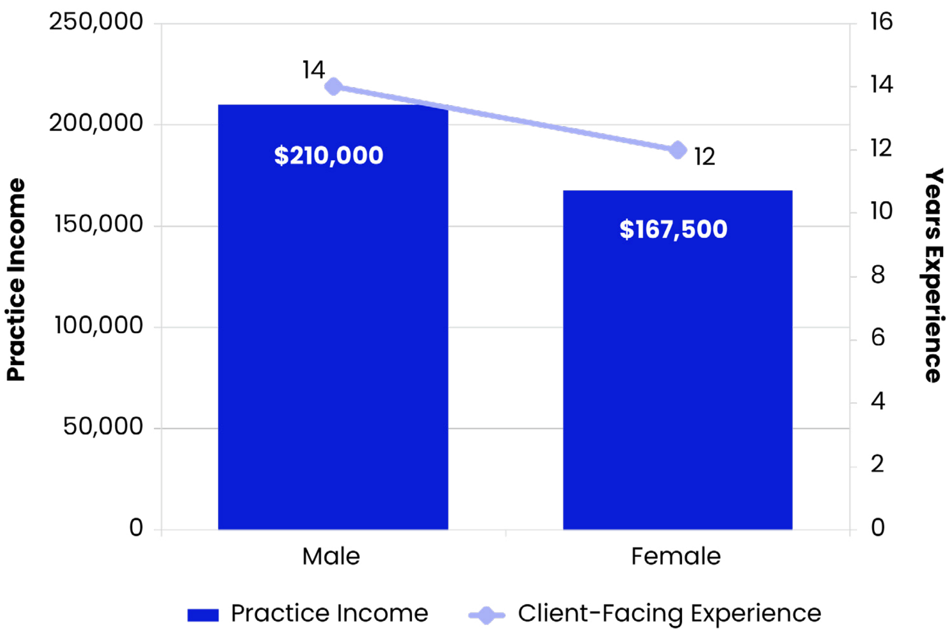
Regardless of the extent to which happiness correlates with gender, being male is not a likely driver for wellbeing based on the survey data. Males do tend to report work-related preferences, however, that are often more directly tied to driving wellbeing. This was certainly the case for the male-leaning Business Builder factor group, which predicted wellbeing for certain types of entrepreneurially-oriented individuals.

In particular, relative to female advisors, male advisors in our study showed more willingness to take on risk in exchange for a greater reward or upside potential and, as a result, often achieved higher income levels in their later working years.[6] Male advisors also expressed more entrepreneurially-driven traits in terms of a willingness to build an enterprise of value rather than a career that 'just' meets their personal work-life balance preferences. Though notably, this doesn't necessarily imply that male financial advisors are naturally more 'entrepreneurial'; for instance, it could be that female advisors have different home or family obligations that could impact their decisions regarding business or career risk.

Additionally, any other association that males might have with more happiness is likely an indirect result of the typical male tending to have more client-facing experience, which in turn is also associated with earning more income (Figure 4.1). (At 50, there is no difference in the median age of males and females, but males tend to move into client-facing roles earlier in their financial services careers, such that 50-year-old male advisors tend to have more years of client-facing experience than female advisors at the same age.) In turn, both income and particularly experience demonstrate an ability to drive wellbeing more directly.

[6]For a more detailed discussion of the gender pay gap among financial advisors, please see: kitces.com/blog/gender-pay-gap-financial-advisor-compensation-men-vs-women-discrimination-preferences-kitces-research/

Figure 4.1. Experience And Income By Gender



Recent trends in wellbeing for females relative to males are perhaps a more noteworthy gender-related distinction. For females, the average Cantril rating dropped 5% from 2021 to 2023, double the wellbeing decline experienced by males. This decline may be a result of a changing composition of females across the 2 surveys, however. In 2021, responding females tended to be more similar to males in terms of their experience, earnings, and wellbeing. Responding females in 2023, relative to 2021 females, were generally younger and less experienced, and as previously noted, simply being in an earlier stage of a career is often associated with lower wellbeing, given how difficult it is to be a new financial advisor. This likely contributed to their lower average wellbeing rating compared to the 2021 group of female respondents. From a 'glass half full' perspective, though, the encouraging news here is that a younger composition of females in the current study may be signaling that more women are at last entering the financial planning field.

Compared to gender, **minority status** in terms of race or ethnicity (or lack thereof) shows a stronger correlation with wellbeing. Minorities accounted for 6% of responses in 2023, down from 10% in 2021. In 2023, a Struggling respondent was nearly twice as likely to be a minority as opposed to a non-white Hispanic (32% of minorities compared to 19% of non-minorities).

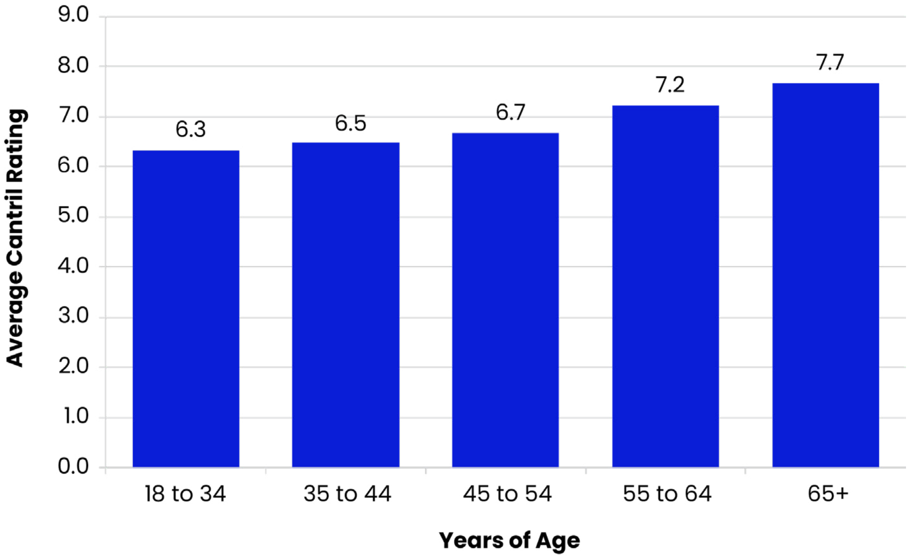
As with being female, the negative correlation for having minority status does not appear to directly drive lower wellbeing. Like with females (only more so), the typical minority advisor was less experienced, with 9 years of experience being in front of clients compared to 14 years for white non-Hispanics (and takes home about half the in compensation from their financial advisory practice, likely due to their lower level of experience and greater preference for jobs that provide less long-term variable upside compensation).

Nonetheless, minorities were another group that saw a notable wellbeing decline since the last Kitces wellbeing study. The 13% decline since 2021 was far greater for minorities than the comparable 2% decline for non-minorities. Again, though, this may largely be a result of a changing makeup of minorities, with an apparent new wave of minorities participating in these studies that are younger, less experienced, and consequently earning less income.

Age

As Figure 4.2 highlights, there is a consistent positive correlation between age and wellbeing, with the upward slope of the relationship growing even steeper since 2021 as the difference in happiness between young and old grew more pronounced. The greater happiness linked to getting older only further emphasizes why succession continues to be such a pressing industry issue. Why would older advisors leave their firms when they've literally never been happier at any other point in their careers?

Figure 4.2. Wellbeing By Age



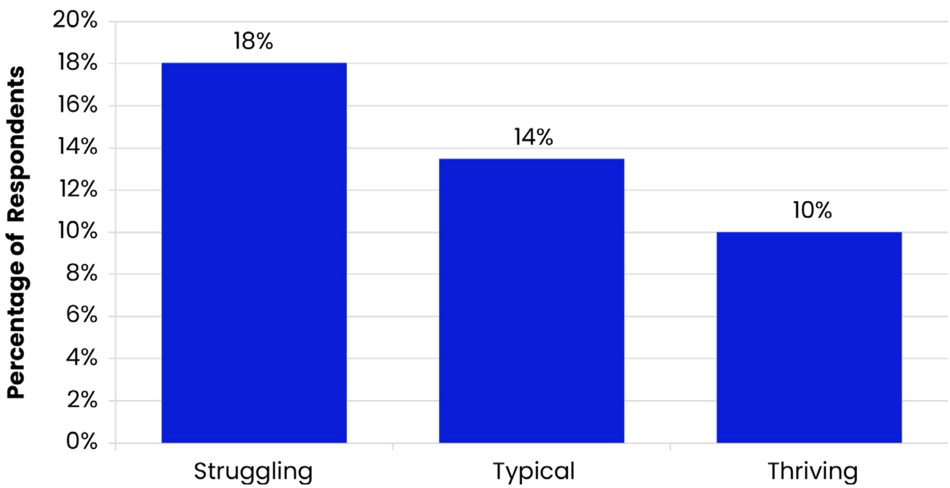
Despite age being a core variable within the Experience factor group that is among the key predictors of wellbeing, age is another singular attribute that does not appear to have a direct influence on wellbeing. Rather, age likely aligns with wellbeing due to its close correlation with other more direct wellbeing drivers. Most evident is the not-surprising correlation between age and client-facing experience, another component within the Experience cluster and a more direct driver.

It is interesting to note, however, that age appears to still correlate with happiness even after adjusting for experience. For example, among advisors with 10 years or more of client-facing experience who are older than 40, the average Cantril wellbeing rating is 7.3. The average rating falls to 6.6 for those advisors in this experience range who are under 40 or younger. This is again consistent with the broader research – beyond financial advisors – that wellbeing generally tends to rise with age after our mid-40s.

Further promoting wellbeing among older advisors is the fact that they are less likely to be working in transitioning or startup practices. Income, too, while less impactful in driving wellbeing, may also contribute some to greater happiness. Age has a generally positive but more of an upside-down-U-shaped relationship with income earned from the practice, a more direct driver. That is, income peaks within the 45–54 age range and drops slightly thereafter as older advisors tend to put in slightly fewer hours at work (but still earn a very healthy income for the hours they do work).

Domestic Partnerships were also strongly correlated with wellbeing (Figure 4.3). The 86% share of respondents who reported a partner had an average Cantril wellbeing rating of 6.9 compared to 6.4 for those without. The older the respondent, the greater the gap in wellbeing between those with and without partners.

Figure 4.3. Lack Of A Domestic Partner, Struggling And Thriving



But again, having a partner did not appear to drive wellbeing. The greater wellbeing linked to partnerships is likely a result of the link between partnerships and other more direct drivers. In particular, those in partnerships reported much greater past wellbeing, averaging 6.9 for 5 years prior, than the 6.4 past average for those without. Furthermore, partnered respondents work slightly fewer hours, are somewhat more experienced, and tend to feel they are more effective at their jobs.

Lastly, while it's a lesser wellbeing driver, being in a partnership correlates with greater income. Not surprisingly, the positive correlation between partnership and income was especially evident in terms of household income, given the potential of another wage earner in the household. Within every age range, those with partners had higher household incomes than those without. That said, the impact of spousal income on wellbeing was most significant among less experienced advisors, where a spouse's income can provide essential financial support to the household during an advisor's early formative (and especially low-income) practice years.

Experience, Education, And Memberships

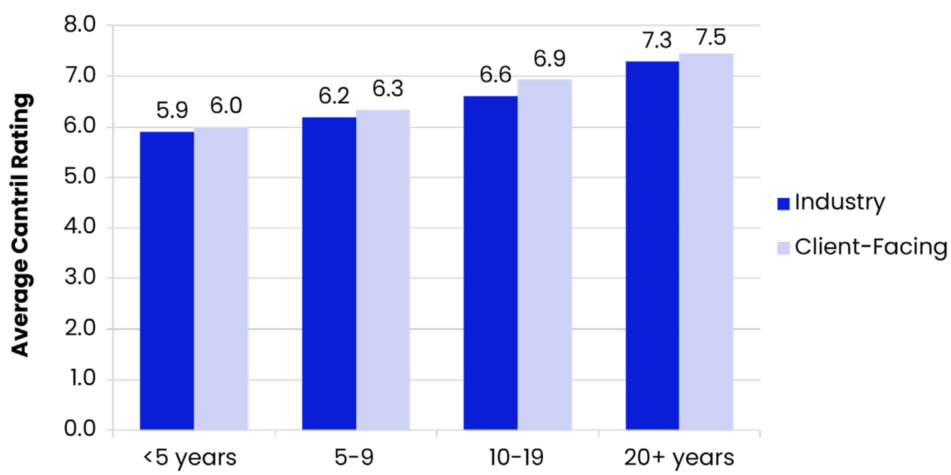
To gauge the extent to which expertise might relate to financial advisor wellbeing, survey respondents were asked a variety of questions related to their experience, education (including certifications or designations), and professional memberships.

Of these, only **experience** demonstrated a significant correlation with wellbeing (Figure 4.4). Years of experience were also found to directly drive wellbeing independent of income and job effectiveness, and 2 other variables closely correlated with experience also appeared to directly drive wellbeing. The ability of experience to drive wellbeing grew most evident among more experienced advisors. In other words, there is a certain degree of stress on every advisor in the first 5 years or so of their careers. Only after surviving this orientation period does the work get significantly better, and an advisor's wellbeing starts to compound at a more favorable rate.

While years of financial services industry experience, in general, had some influence on wellbeing, client-facing experience, not surprisingly a key variable within the experience factor cluster, was the most influential direct driver on wellbeing.

Wellbeing had no clear correlation with the level of a respondent's **educational attainment** or the number of degrees obtained. In terms of the type of degree obtained, however, an MBA was found to be nearly twice as prevalent among Thriving respondents compared to Struggling (30% versus 16%). Professional **designations and memberships** in professional organizations did not appear to correlate with wellbeing either, although Thriving respondents did demonstrate a greater tendency to hold membership in the Financial Planning Association and to have CFP certification. Across all Thriving respondents, 74% were CPF professionals compared to 61% of those Struggling; 38% of those Thriving were FPA members compared to 28% of Struggling respondents.

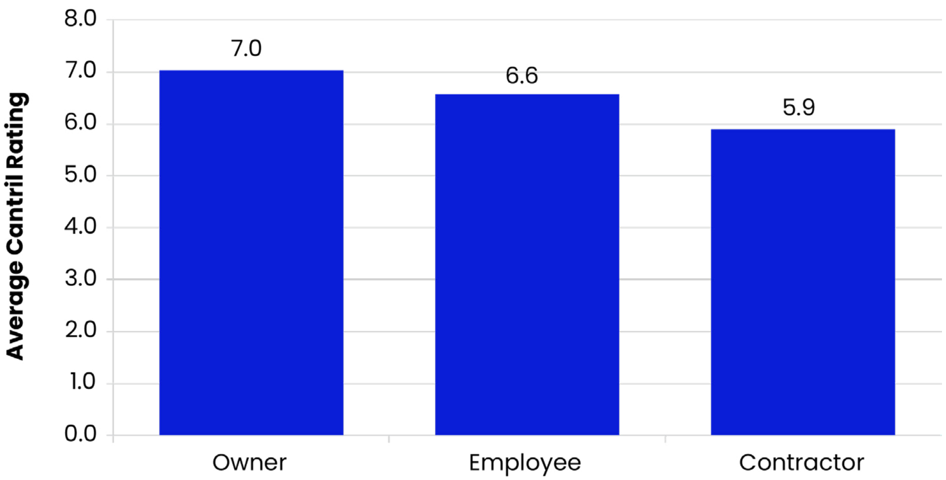
Figure 4.4. Wellbeing By Years Of Experience



Status In The Firm

The status that one has within the firm is defined in terms of being an owner, employee, or contractor. By status, owners enjoy the highest wellbeing and contractors report the lowest (Figure 4.5). The typical firm owners' comparatively greater wellbeing is indirectly supported by the confidence formed from more years of experience, the greater autonomy they enjoy, and the benefits of working less while earning more through not 'just' being paid for labor but also enjoying the profits that come from ownership (Figure 4.6). (Notably, however, among respondents with less than 5 years of client-facing experience, hourly earnings for the typical owner were just $15 versus $40 for other early-stage advisors. Beyond 5 years of experience, though, owners increasingly outearn others on an hourly basis.)

Figure 4.5. Wellbeing By Status In The Firm



While owners generally report healthy wellbeing, 40% of contractors are struggling. The proportion of contractors that are Struggling is highest of any segment examined within the survey data, and significantly greater than either the percentage of Struggling owners or employees. Also highlighted in Figure 4.6 are the findings that contractors are the most likely to work in an early-stage practice relative to owners and employees, they are the lowest income earners (earning half the income of owners), and they are the least likely to be in strong agreement that they are effective at their jobs.

Figure 4.6. Factors Affecting Wellbeing By Status In The Practice

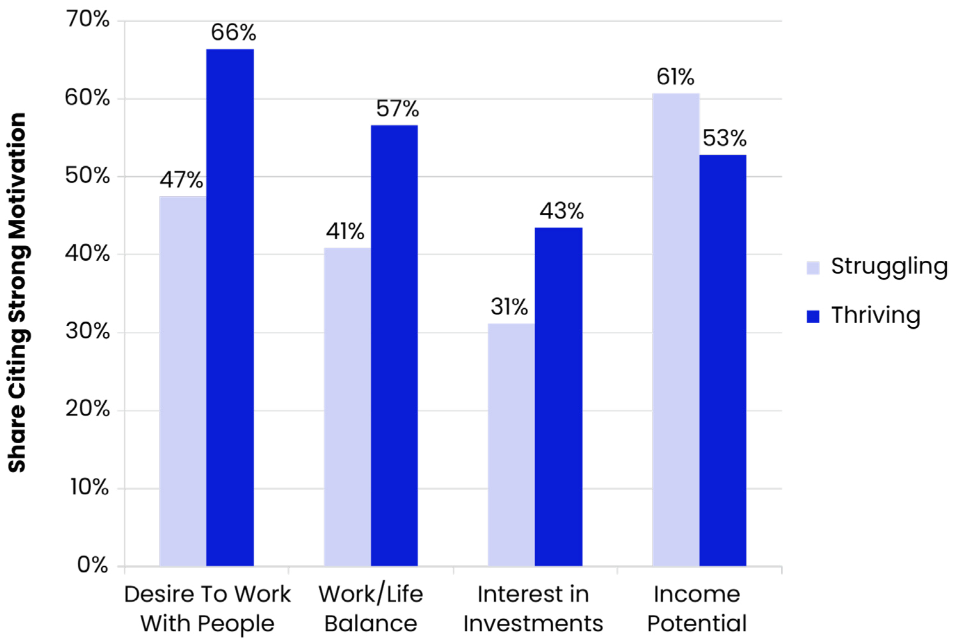
	Owner	Employee	Contractor
Percent Struggling	16%	23%	40%
Effective at Job (% in Strong Agreement)	28%	29%	25%
Percent Working in a Startup or Transitioning Practice	10%	7%	27%
Median Hours Worked Per Week	37.0	38.5	38.5
Annual Income From Advisory Practice	$250,000	$132,500	$125,000
Years of Client-Facing Experience	17	6	10

Notable is that contractors' relative lack of wellbeing does not appear to be due to their tendency to be independent broker-dealer affiliated. Of the contractors responding to the Kitces Research survey, 20% worked with pure RIA's, 50% with hybrid practices, and the remaining 30% were IBD affiliates who did no business through a corporate RIA. By affiliation, the highest wellbeing was actually among contractors who were solely IBD-affiliated, with an average Cantril rating of 6.3. The lowest rating, at 5.7, was found among those contractors who were with pure RIAs with no IBD affiliation. Average wellbeing for hybrid contractors was roughly in between.

Personality Attributes

Certain feelings, motivations for working in financial planning, and work preferences correlate with wellbeing, with some of these personality-related attributes identified as being direct influences. The personality attribute that is most linked to driving current wellbeing and that is a core variable within the Experience factor cluster is how closely an individual felt they were living their best possible life 5 years ago. Chances are high that if an individual was challenged to maintain **wellbeing in the past**, they would continue to be challenged – and this holds true regardless of an individual's age. For Struggling respondents, there was virtually no difference in the level of wellbeing they felt 5 years ago compared to what they felt currently. By contrast, based on average Cantril ratings, Thriving respondents felt their current level of wellbeing was 37% greater than where it was 5 years prior.

Figure 4.7. Top Motivational Differences, Struggling And Thriving



Surveyed financial advisors were asked to react to a variety of possible **motivations for pursuing a financial services career**. A few stood out as being particularly distinct for Thriving respondents (Figure 4.7). These included being strongly motivated by work-life balance and having an interest in investments. In a comparison that might be best summed up as "helpers are happier than hunters", the top motivator distinguishing Thriving versus Struggling respondents was the desire to work with people. By contrast, Struggling respondents were most apt to be motivated by the industry's income potential.

In addition to sharing why they pursued the careers they did, respondents also described a variety of different **preferences about work** in general, which provided further insight into what shapes wellbeing. Figure 4.8 summarizes the survey results from 12 sets of questions regarding work preferences, with each representing a different preference topic. Percentages indicate the share of respondents that had at least a slight preference for one pairing over the other.

While certain topics showed mixed results, clearer themes emerged for other preferences regarding what financial advisors would like their work to look like. A majority of respondents had a preference toward business ownership and related attributes such as autonomy and a comfort level with variable income that offers greater upside potential relative to a fixed salary.

For financial advisors, owning the business didn't necessarily equate with wanting to run one; most preferred working in the business and serving existing relationships over working on the business and growing its client base. Other themes included a preference for more team-focused environments and working with clients directly rather than playing a technical role in analyzing solutions or preparing financial plans.

Figure 4.8. Work Preferences

Share Preferring Left Pairing			Share Preferring Right Pairing
Autonomy			
Follow Established Procedures	41%	59%	Do It My Way
Use Existing Structure	32%	68%	Create My Own Structure
Business Involvement			
Work in the Business	54%	46%	Work on the Business
Deliver Advice to Clients	71%	29%	Systemize the Business
Communicator Or Technician			
Deliver Plans for Clients	76%	24%	Produce Plans for Clients
Meet Clients	74%	26%	Analyze Clients' Situations
Minder Or Finder			
Serving Current Clients	65%	35%	Getting New Clients
Strengthening Client Relationships	74%	26%	Building Prospect Relationships
Ownership			
Get Paid Well for What I Do	28%	72%	Own What I Build
Salary for What I Do	20%	80%	Profits From What I Build
Drive			
Build a Business To Support My Lifestyle	58%	42%	Build a Business Bigger Than Me
Stop Adding Clients When Enough	42%	58%	Add Clients As I Find Them
Purpose Or Enterprise			
Build Profitable Practice	56%	44%	Be Part of Something Greater
Build Something Valuable	45%	55%	Build Something That Matters
Team Support Goals			
Team That Helps Us Serve More	72%	28%	Team That Helps Me Serve More
Team That Expands Our Capacity	71%	29%	Team That Maximizes My Productivity
Team Orientation			
Do It Myself	42%	58%	Be Part of a Team
Manage a Team	28%	72%	Manage Clients
Growth Or Lifestyle			
Keep Working Toward Next Level	60%	40%	Work To Afford What I Need
Grow As Mucth as I Can	49%	51%	Grow As Much as I Need
Relations Or Problem-Solving			
Serve Established Clients	53%	47%	Tackle New Client Challenges
Socialize With Clients	34%	66%	Research New Client Solutions
Income Stability			
Take Risks for Upside Potential	57%	43%	Have a Steady Income
Variable Compensation	60%	40%	Stable Salary

Of the various preference sets, "Enterprise or Purpose" stood out in terms of being a direct predictor of wellbeing. A preference for "being part of something greater" or "building something that matters" over building something profitable or valuable led to a mild but direct influence on increasing an advisor's wellbeing. This is consistent with the inclusion of these "purpose-driven" preferences as a component of the Team factor, one of the more impactful wellbeing factor drivers.

To further translate how these frequently inter-related preference findings related to wellbeing, Kitces Research performed a separate factor analysis that was restricted to just the questions focusing on work preferences. The 4 groups that emerged from the 12 question sets helped to simplify our preferences analyses as they related to wellbeing. The resulting preference factor groups can be described as follows:

- **Lifestyle:** Prefers a strong work-life balance and has less drive to grow the business; is client-focused and prefers minding existing clients over finding new ones.
- **Leadership:** Wants to be involved in and to develop the business, and is very focused on the team.
- **Independence:** Prioritizes autonomy, strongly prefers ownership, doesn't want to get caught up in the technical weeds of financial planning, and prefers rewards that scale with their successes.
- **Entrepreneurial:** Also focuses on developing the business and prefers gathering clients and profits over purpose.

Of these preference factors, 2 were found to influence wellbeing, both in a negative way. The first of these driving generally lower wellbeing were respondents matching the Lifestyle factor (those prioritizing work-life balance). This may simply occur because prioritizing work-life balance suggests an individual is less happy to begin with. They may have additional stress in their lives unrelated to their work, and consequently, focusing on work-life balance is one way to lessen that stress.

The negative wellbeing impact for Lifestyle respondents does not appear to be a result of their inability to achieve a work-life balance. Even at similar levels of wellbeing, financial advisors with high Lifestyle preferences work fewer hours than others who are weaker on these preferences. Further, there is no indication that less experienced advisors, who may be most challenged to achieve work-life balance, have a greater or lesser tendency to prioritize it based on the experience distribution of those falling into the Lifestyle factor group.

A similar, and somewhat less surprising, negative relationship with wellbeing was observed among those possessing Entrepreneurial preferences. In many ways, this group of respondents is “never satisfied” by definition. Regardless of the level of success they have achieved, there is always more they are striving to accomplish as they get closer to achieving goals; they are constantly ‘resetting the goalposts’. Consistent with their continual lack of satisfaction, Entrepreneurial respondents also show greater interest in leaving their employer or platform.

Characteristics related to "What You Do" are often more flexible for individuals to change in ways that might drive greater wellbeing. Among the traits included under the " What You Do" wellbeing perspective are the nature of work performed, workload (including hours worked), and the perceptions related to work in terms of levels of effectiveness, enjoyment, and engagement.

Work Performed

At a general level, an individual's business role within the firm summarizes work accountabilities. Given that the same roles at different firms rarely have an identical allocation of responsibilities, respondents also reported the time spent on specific tasks.

By specific **business role**, Lead and Service Advisors (the 2 positions on a service team with direct responsibility for client management) reported the highest level of wellbeing (Figure 5.1). Associate Advisors, those who support the delivery of advice but do not have direct client accountability, had the lowest average wellbeing, about 15% below Lead and Service Advisors. The dissatisfaction that characterizes Associate Advisors is more than just an issue of the tendency for the role to be filled by individuals with relative inexperience. Even when removing Associate Advisors with less than 5 years of client-facing experience from the group results, Associate Advisors still average the lowest rating in wellbeing.

The low wellbeing score of Associate Advisors is a special concern in an industry that faces extreme challenges in developing the next generation of client-facing advisors. The Associate Advisor role serves as a critically important first step on a career path that prepares individuals to be directly accountable for client relationships. Despite this, those currently in the role are more likely to leave their current employer or platform when compared to those in other service-team positions. This succession challenge is especially striking, considering that those with the lowest wellbeing scores will be needed to replace older and more experienced advisors who typically enjoy the highest wellbeing scores.

Figure 5.1. Wellbeing By Business Role

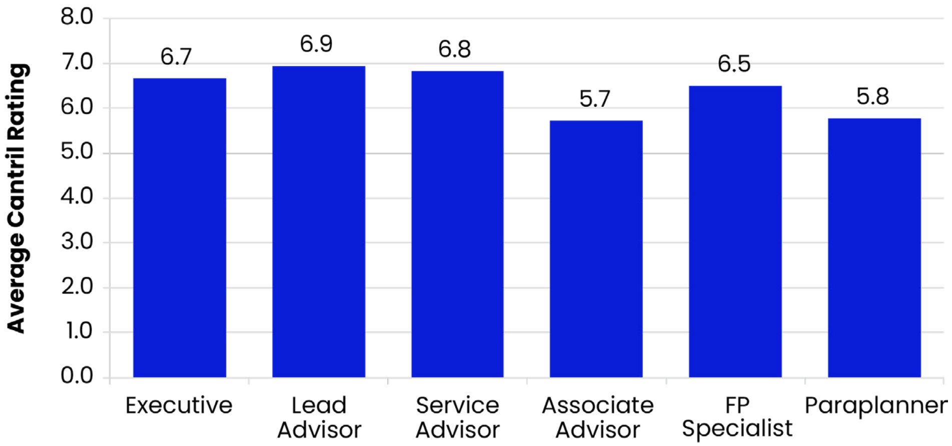


Figure 5.2 illustrates the key drivers of the wellbeing of Associate Advisors in context with higher-level advisory positions. While the median hours worked are roughly the same across roles, the lower compensation and lack of client-facing experience of Associate Advisors, relative to the other advisory roles, along with perceived job effectiveness, are all potential drivers of their lower wellbeing scores.

Figure 5.2. Factors Affecting Wellbeing By Advisory Role

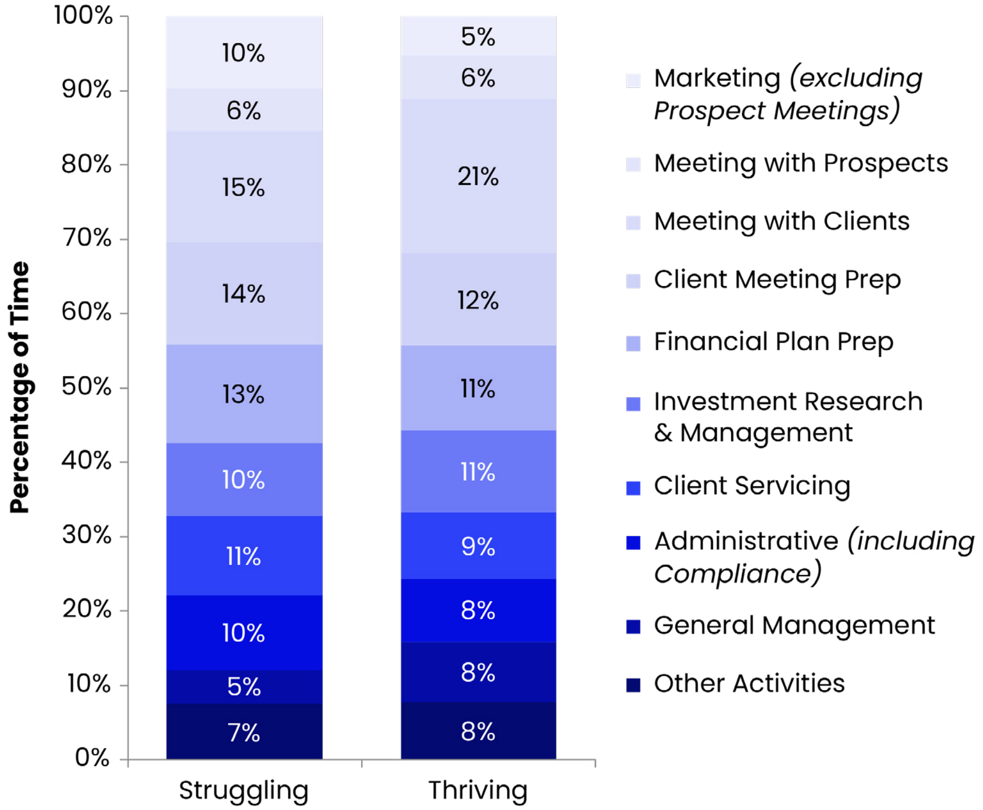
	Lead Advisor	Service Advisor	Associate Advisor
Percent Struggling	18%	18%	39%
Effective at Job (% in Strong Agreement)	28%	28%	22%
Median Hours Worked Per Week	37.7	37.8	37.7
Annual Income From Advisory Practice	$225,000	$100,000	$75,000
Years of Client-Facing Experience	16	6	2

Given these results, improving on-the-job effectiveness through more intensive training and formal mentoring is likely the most practical path for raising Associate Advisor wellbeing. This creates a win-win situation, improving the Associate Advisor's own wellbeing while producing more engaged employees for the employer or platform. Furthermore, enhancing the worker's effectiveness and productivity can also help to increase compensation, which can further advance wellbeing.

Figure 5.3 shows that, by **specific activities** performed during a typical work week, respondents who identified as Thriving spend the greatest share of time meeting with clients. Client meetings account for 21% of Thriving respondents' work week compared to just 15% for those Struggling. Notably, while the difference in meeting time is striking, the 21% for Thriving respondents represents 'only' about 8–9 hours of a typical work week with another 4 hours or so for prep time. This timeshare still remains far below the 70% share that many experts suggest for an advisor's time with clients and implies that acting on such advice could reduce advisor wellbeing and increase a firm's turnover.

By contrast, Struggling respondents spent twice as much time on marketing activities (10% versus 5%), not including prospect meetings. Figure 5.3 displays these and other comparisons across the average share of weekly hours spent on 10 major task categories. Notably, these allocations are largely representative of Lead or Service Advisor allocations, as these 2 roles accounted for nearly 90% of survey participants.

Figure 5.3. Allocation Of Hours Worked By Task Group, Struggling And Thriving



There are key differences between how Struggling and Thriving respondents spend their time across various tasks. Notably, the respondents' perceived effectiveness in these various tasks aligned with their overall wellbeing. Both Struggling and Thriving respondents reported the highest sense of effectiveness when engaging with current clients, with an average rating for client meetings of 4.3 out of 5. It's apparent that advisors who invest more time in activities where they excel report greater wellbeing.

By contrast, Struggling respondents spent twice as much time on marketing activities (excluding prospect meetings). Which is significant, as both Struggling and Thriving respondents identify marketing as their least effective task, with a collective average rating of 2.9 out of 5.

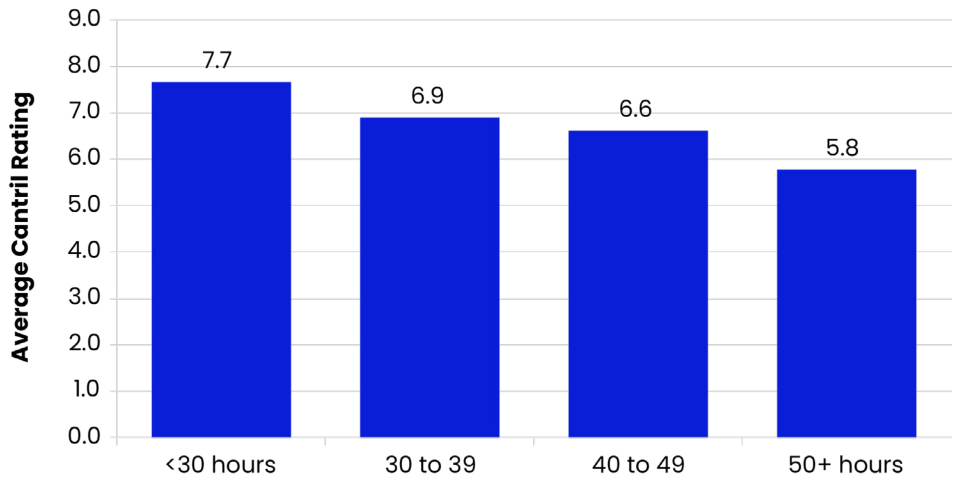
Does more time on marketing directly contribute to lower wellbeing, however? The answer is not likely. Rather, greater marketing hours align with a greater likelihood of being in a transitioning or start-up practice, typically with limited clients and revenue, which more directly detracts from wellbeing. The typical share of time spent on marketing, at 10% for respondents in these early-stage practices, is double that of respondents in more established firms.

More detail on how job and task effectiveness relate to wellbeing is provided further ahead.

Workload

The influence of how much a person works impacts wellbeing more than specific tasks that they perform or responsibilities they hold. The number of **hours worked** is a fundamental measure of an individual's workload and is one of the top drivers directly influencing wellbeing. Furthermore, hours worked is a key variable within the Autonomy factor, a group of variables collectively found to be one of the stronger predictors of wellbeing. As shown in Figure 5.4, there is a nearly linear negative correlation between average weekly hours worked during the course of a year and an individual's wellbeing. On average, wellbeing fell about half a step down the 10-step Cantril ladder for every additional 10 hours worked per week.

Figure 5.4. Wellbeing By Average Weekly Hours Worked



Thriving respondents work approximately 21% fewer hours on an annual basis compared to those who are Struggling. This difference stems from not only working fewer hours each week but also taking more weeks off per year. Typically, Thriving respondents take 4 weeks of vacation each year, whereas Struggling respondents take only 2.

In addition to hours worked, other common indicators of financial planning workload and productivity include revenue generated, AUM, and clients managed per advisor or team member. While all of these are somewhat imprecise measures of workload, when examined in combination, they provide additional insight into the amount of effort individuals may be investing in their work.

Beyond hours worked, revenue per advisor – the aggregate amount of client revenue that the advisor is responsible for servicing – is likely the most accurate workload indicator. This is due to the fact that the effort required to manage a client can vary greatly among advisors, influenced by factors such as the type of client, stage of relationship, and the business model of the practice. Nonetheless, the service effort must correspond to a certain level of fees generated by the advisor for servicing clients, regardless of those services or the advisor's billing approach. The drawback of using an advisor's AUM as a workload indicator is that it doesn't account for financial advisors who may invest long hours in planning work yet manage minimal or no client assets.

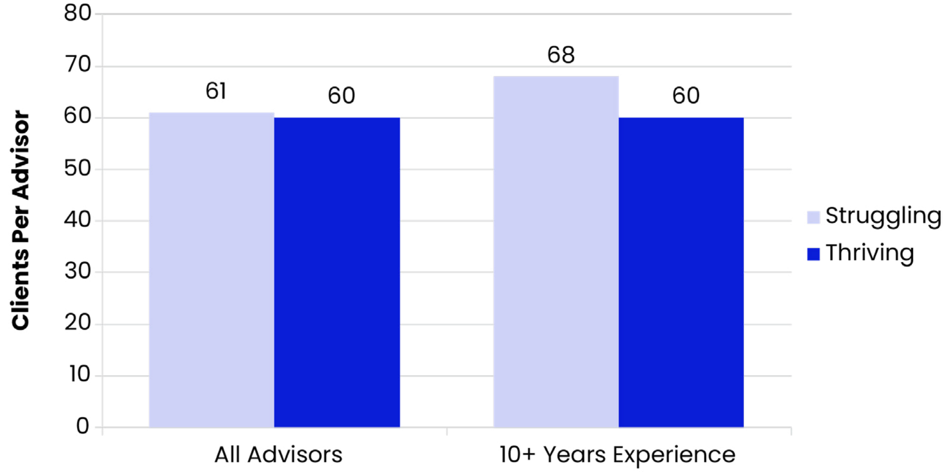
Accordingly, we find that **revenue per advisor** and revenue per team member for Thriving respondents' teams are nearly double that of Struggling respondents. The strong correlation with wellbeing is most likely due to revenue's close relationship with other direct wellbeing drivers, such as the stage of the practice's lifecycle. For instance, a majority of advisors generating under $100,000 annually (56%) are part of transitioning or startup firms, whereas only 1% of advisors generating beyond $400,000 fall into this category. Moreover, an advisor's perception of their job effectiveness also increases with greater revenue per advisor. Advisor revenue also correlates with experience and total income earned, which likely play supporting roles that influence wellbeing. The typical advisor in the top 25th percentile by revenue, for example, tends to have 4 more years of client-facing experience and earns more than double the income relative to advisors overall.

AUM also has a similarly tight correlation with wellbeing. Both AUM per advisor and AUM per team member for a Thriving respondent's team are nearly double that for Struggling respondents. Like revenue, however, AUM is a weak predictor of wellbeing but is correlated with other influential drivers. These include all the same drivers that are tied to revenue.

Unlike revenue and AUM, the relationship between the number of **clients managed** and wellbeing is more complex and lacks a clear connection. Across all respondents, there was no material difference between Struggling and Thriving in terms of the number of clients they were responsible for (Figure 5.5).

(Note that "clients per advisor" reflects the total number of clients managed by the respondent's service team divided by the number of servicing advisors, either Lead or Service Advisors, within the team. For example, 60 clients per advisor could be a solo advisor with 60 clients, a Lead Advisor and an Associate Advisor collectively serving 120 clients, or a founder-advisor with a Service Advisor and an Associate Advisor team working with 180 clients.)

Figure 5.5. Clients Per Advisor, Struggling And Thriving



To explain this lack of distinction regarding clients per advisor, it's helpful to contrast advisors according to the maturity of their practices. Wellbeing generally increases with the practice maturity, yet client counts are roughly the same, apart from an uptick in clients per advisor beyond 20 years of experience. 2 offsetting forces at work keep client totals relatively constant as a practice matures – selectivity regarding the types of clients served, and support resources for serving clients.

Often motivated to just cover their fixed costs, early-stage advisors cannot afford to be as selective with the clients they take on. Because of this, they are motivated to serve as many clients as possible, including those who may not be the best fit. Unlike later-stage advisors, however, early-stage advisors are more constricted in their capacity to serve clients as they do not have the luxury of more built-out service teams.

By contrast, later-stage advisors with more established practices can afford to be more selective about the clients they take on, which allows them to drive greater revenue and income from the same total client counts. At the same time, the shift into more of a 'maintenance' mode with existing clients – which takes substantially less work than bringing on new clients – allows the most experienced advisors to drift toward slightly higher client counts, with a mostly long-term client base coupled with relatively few (and usually very 'high-quality') new clients that come on board each year.

The net effect is often a lack of material change in the team's clients per advisor ratio throughout the advisor's practice lifecycle, even as revenue and income grow. This is especially true as growing service teams often add a Service Advisor, who will mainly be accountable for existing relationships, while the original Lead Advisor focuses more on business development and management of the team's more complex and valued relationships. By definition, the extra advisor within the team lowers the clients per advisor ratio (keeping it steady even as the team's client count grows).

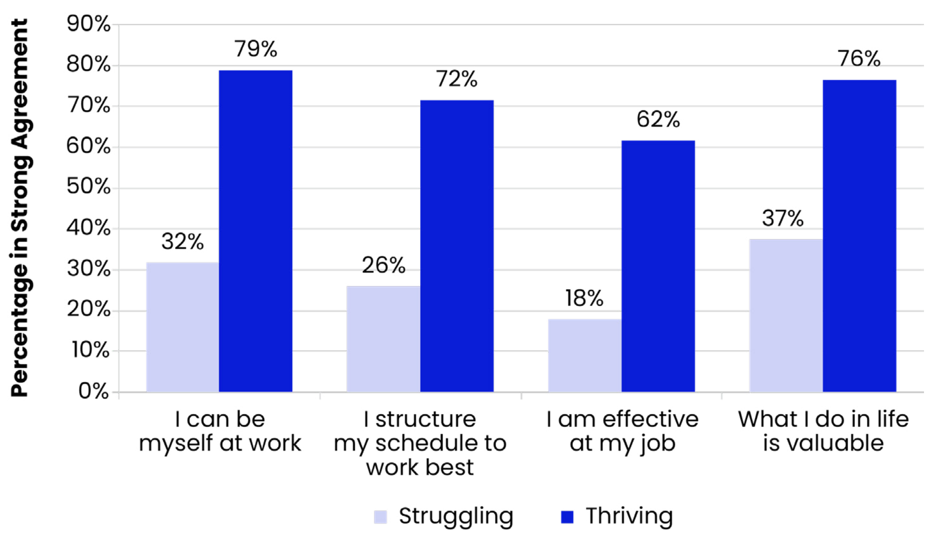
As a result, while Struggling and Thriving respondents both serve about the same number of clients on a per advisor (as well as per team member) basis, their circumstances are typically very different. The Struggling respondent is much less experienced, serving clients who are less affluent and generating far less income per client relative to Thriving respondents.

Indeed, experience plays an inter-connected role that clouds over any apparent relationship between clients managed and the wellbeing of a financial advisor. This becomes clearer when focusing analysis only on the most experienced advisors surveyed – those with 10 or more years in a client-facing role. While the typical Struggling advisor managed 68 clients, the median total for a Thriving advisor, at just 60, was significantly less! Yet at this level of experience, while Thriving advisors serve fewer clients, their clients are paying them considerably more – their typical revenue per client, at $7,062, compares to just $4,545 for Struggling advisors with 10 or more years of experience.

Perceptions Of Work

How individuals feel about their work can also tie to wellbeing and, in some cases, have a direct impact on driving it. Figure 5.6 summarizes the feelings tested that showed the greatest differences between Struggling and Thriving respondents. While not the most distinct of the highlighted perceptions on the basis of gap size, the most fundamental difference of agreement across Struggling and Thriving advisors may be in terms of whether "what I do in my **work life is valuable and worthwhile**." Thriving respondents were more than twice as likely to be in strong agreement.

Figure 5.6. Perceptions Of Work, Struggling And Thriving



There are at least 2 potential explanations for this difference. One explanation is that Struggling respondents may simply have less confidence and a lower self-image. In this case, whatever their work, they place a low value on it. This lack of confidence may carry over into implementing below-market pricing and a willingness to work for less pay, resulting in lower income that further serves to hamper well-being. Alternatively, the feeling that one's work isn't valuable could also be attributed to the nature of the work itself. That is, Struggling respondents may be stuck in the wrong jobs and feel there are things they could be doing that would have more value.

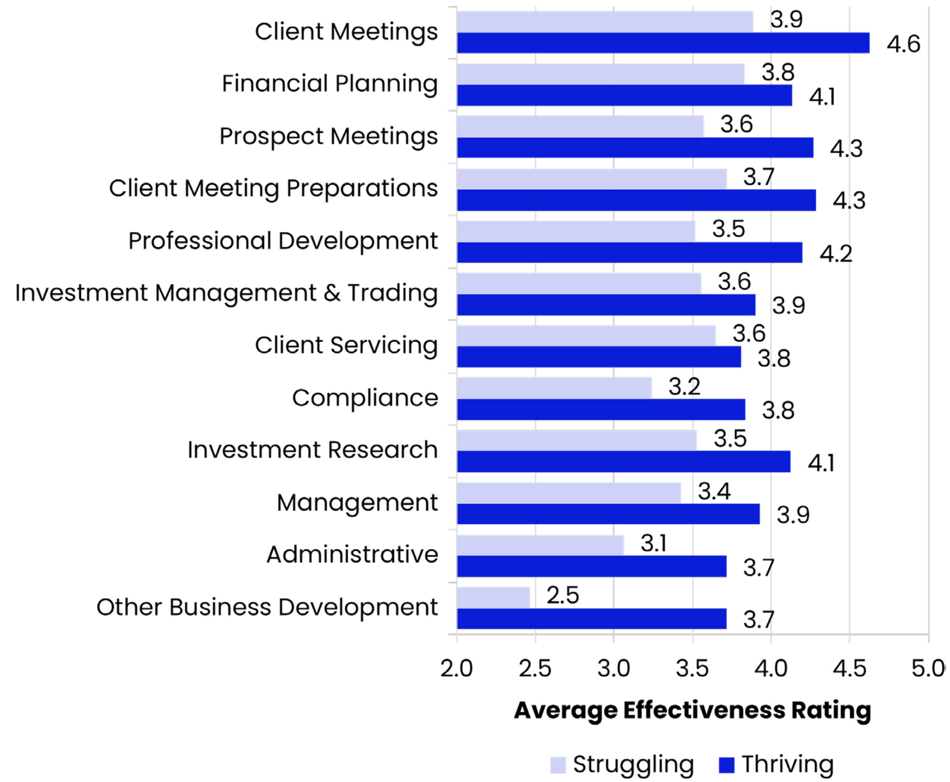
It's likely that both explanations hold merit. Consistent with a low self-image, Struggling respondents are far less likely to feel appreciated, feel comfortable being themselves at work, or feel a sense of belonging. Consistent with being in the wrong job, Struggling respondents are not as optimistic about the future, are less likely to achieve their goals, and feel a lesser ability to structure their schedules to do their best work.

Among the various work-related perceptions evaluated, **on-the-job effectiveness**, another key variable within the influential Autonomy factor cluster, emerged as having the greatest ability to influence wellbeing. Thriving respondents were 3X as likely to strongly agree that they were effective at their jobs (62% versus 18%).

Feeling ineffective in one's work life could be a result of various factors. Among them, low self-esteem or being engaged with tasks that are not aligned with one's strengths are significant considerations. However, perhaps the most straightforward explanation is that a perceived lack of effectiveness is often a reflection of inadequate experience or insufficient training.

Figure 5.7 offers deeper insights into how advisors perceive their effectiveness in various tasks performed within an advisory firm. The tasks are listed according to the effectiveness ratings given by the advisors themselves, with average ratings given for both Struggling and Thriving respondents. The 2 tasks where respondents felt most effective were client meetings and financial plan development and preparation. Notably, these are also the tasks where respondents reported spending the most time. Interestingly, respondents also reported spending nearly as much time on marketing and business development (excluding prospect meetings), yet this group of tasks ranked lowest in terms of rated effectiveness.

Figure 5.7. Rating Task Effectiveness, Struggling And Thriving

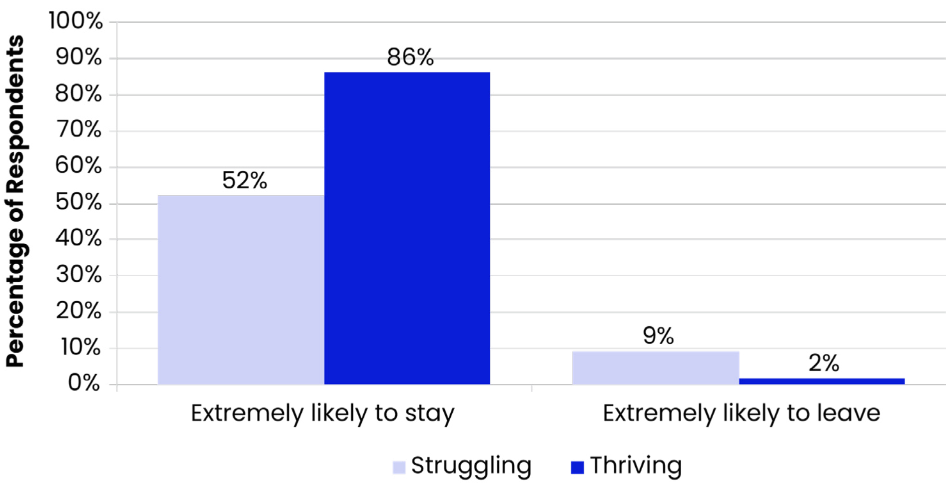


Note: Averages reflect self-reported ratings on a 0–5 scale, where "0" equates with "not effective at all" and "5" equates with "super effective".

Across all 12 of these typical advisory tasks, Thriving respondents gave themselves higher effectiveness ratings than Struggling respondents. The most significant disparity in perceived effectiveness was found in other business development activities. This, combined with a sizable effectiveness gap for prospect meetings, suggests that Struggling respondents may feel particularly underprepared in attracting and onboarding new clients. Which suggests that dissatisfaction arises when advisors, whose primary desire is to service existing clients, are placed in roles where they are required to actively seek out new clients.

Feelings of **engagement**, or attachment to an employer or platform, are unique relative to wellbeing. Unlike other workplace perceptions, it is wellbeing that tends to influence engagement levels rather than the other way around. Among Struggling respondents, 9% say they are extremely likely to leave their employer or platform within the next year, compared to only 2% of Thriving respondents (Figure 5.8). Additionally, 27% of Struggling respondents are considering exploring opportunities with a new employer or platform, compared to only 7% of Thriving respondents.

Figure 5.8. Wellbeing By Likelihood Of Leaving Within The Year



Across all respondents, the weaker your wellbeing – even if otherwise making a good income – the more likely you are to leave your employer or platform. This relationship holds especially true for those who are extremely likely or unlikely to leave or stay.

Other factors also play a role in engagement levels. As expected, owners tend to be more engaged than employees and contractors, particularly within the RIA channel. Given their commitment, these owners are not inclined to transition to employee roles, leaving a change of platform their most likely alternative.

As it does with wellbeing, job effectiveness also correlates with engagement. Of those considering leaving their employer or platform within the next year, only 22% were in strong agreement that they felt effective in their work, compared to 30% of those not considering a departure.

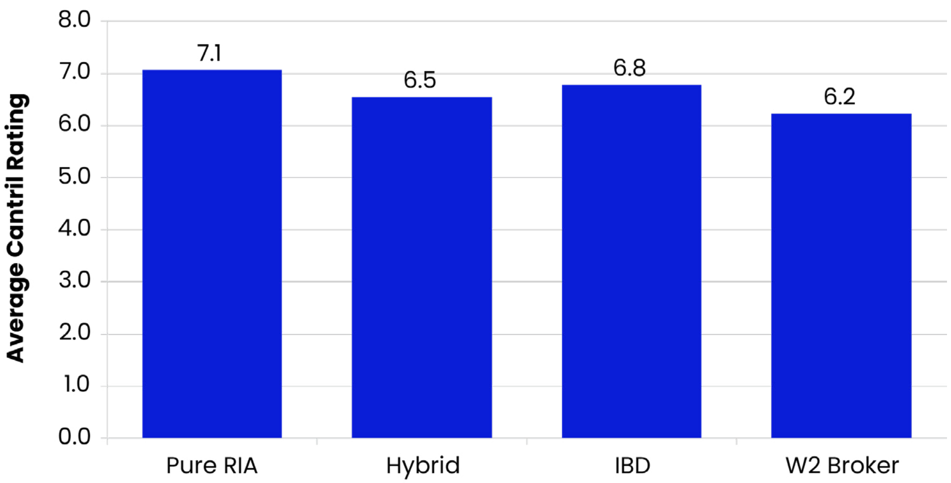
Among Struggling respondents, those who were less engaged also felt less effective overall, although the difference was not as pronounced. By task, effectiveness ratings tended to be similar for Struggling respondents, regardless of their level of engagement. Effectiveness at client meetings was an exception; however, Struggling respondents considering a leave rated their effectiveness 9% lower than those who did not have an interest in leaving.

Since the pandemic, the issue of "Where You Work" has gained prominence, especially for knowledge-based businesses that have been reassessing the environment their workers require. In our study, we assessed wellbeing's connection not just with a worker's physical environment but also with the industry channel, the development stage of the firm, and the characteristics of the advice team and the clients the firm serves.

Industry Channel

Those working for fee-only RIAs generally have the highest wellbeing (Figure 6.1) relative to other industry channels. Of those working in the pure RIA channel, 17% were Thriving compared to only 10% of Thriving respondents in other channels. Factors likely facilitating greater RIA wellbeing include fewer hours worked, a larger share of owners, and more confidence regarding effectiveness on the job.

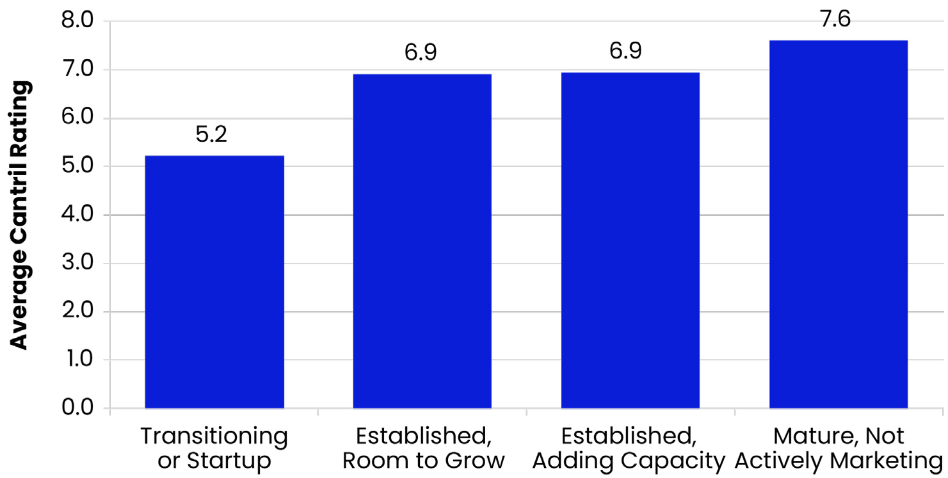
Figure 6.1. Wellbeing By Industry Channel



Practice Lifecycle Stage

The process of founding a new practice comes with numerous challenges, leading to a higher likelihood that respondents in transitioning or startup practices would be Struggling. In fact, 50% of respondents in developing practices reported themselves as struggling, in contrast to only 16% in well-established, mature practices. There is a clear pattern indicating that as a practice grows in maturity, the wellbeing of its team members tends to rise (Figure 6.2).

Figure 6.2. Wellbeing By Practice Development Stage



Working in a more mature practice is a key aspect of the Experience factor, which is highly predictive of an advisor's wellbeing. The stage of development of an advisor's practice stands out as one of the most significant individual variables that influence wellbeing, where lower levels of wellbeing are associated with working in practices that are either in the starting phase or transitioning to growth. Moreover, being in a less mature practice is not only a direct detractor from wellbeing, but is also linked with other factors that can negatively impact it. These factors include earning a lower income, working longer hours, and feeling less effective on the job.

Service Team

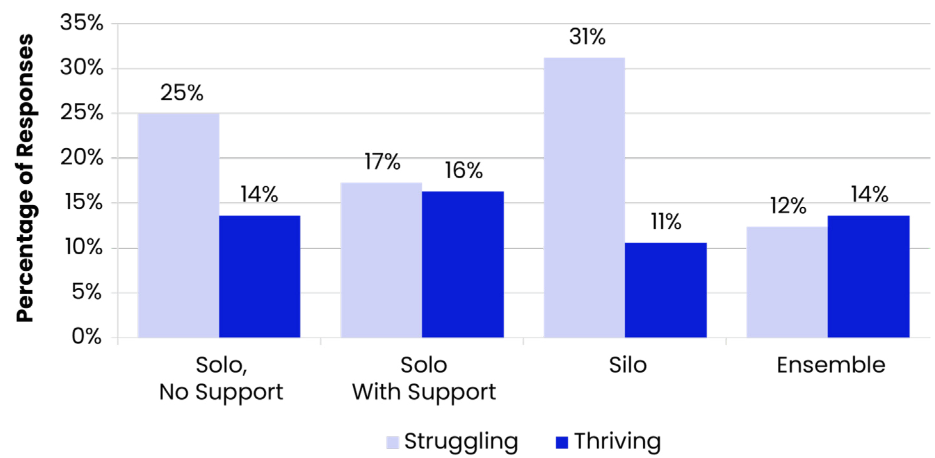
Another component of the workplace that influences wellbeing is the nature of the service team that works directly with the clients of the practice. As discussed in the earlier "Wellbeing Drivers That Matter Most" section, being a part of a developed (purpose-driven) team is a major driver of overall advisor wellbeing.

Team size has a rough correlation with wellbeing, where bigger teams are associated with higher levels of wellbeing among team members. This could be attributed to the fact that bigger teams often experience higher revenues per advisor, which in turn can result in higher incomes for team members. Interestingly, however, the data suggests that an increase in team size does not lead to a reduction in the number of hours worked by a typical team member.

In terms of **how a team is structured**, respondents with either ensemble or solo practices with support enjoy the highest wellbeing. Average Cantril ratings for these respondent groups are 7.1 and 7.0, respectively. In addition to being correlated with the highest wellbeing of any practice structure, being part of an ensemble practice is also a direct driver of wellbeing. Silo respondents (advisors who are part of a multi-advisor platform but who each service their own clients individually in a 'silo') report the lowest average ratings, at just 6.3. Among silo respondents, nearly 1 in 3 is Struggling.

The 25% share of Struggling respondents among unsupported solos is nearly as high as the share of Struggling respondents in silos (Figure 6.3). The share of Thriving unsupported solos, however, was just as high as for Ensemble respondents. Additionally, unsupported solo advisors with earnings of $200,000 or more have the same average Cantril ratings as their ensemble counterparts, at 7.2. This suggests that the large share of Struggling unsupported solos are unhappy not because of the structure of their practice but more likely because of difficulties with client acquisition, limited revenue-generating abilities, and insufficient revenue to hire help. By contrast, unsupported solos who can afford to hire help (but simply choose not to) maintain a level of wellbeing unaffected by their choice.

Figure 6.3. Share Struggling And Thriving By Practice Structure



Probing further into the exact nature of roles on a team, Thriving respondents were less likely to be part of a team with an Associate Advisor and more likely to be part of one with Service Advisors, Paraplanners, or Client Service Associates. For those with a Paraplanner, the difference in wellbeing was particularly notable. The Cantril rating averaged 7.2 for the 19% of those with the position versus 6.8 for those without. The correlation holds even when controlling for the size of the service team – whether the team consists of 2, 3, 4, or 5 or more team members, the inclusion of a paraplanner corresponds with greater wellbeing for members of that team. (It seems that experienced advisors really don't like inputting data into financial planning software!)

By contrast, there was no material difference in wellbeing when the respondent's team had an Associate Advisor. Which suggests that advisor wellbeing draws more from team positions that allow Lead and Service Advisors to delegate and focus on what they enjoy doing most, and not necessarily from those that involve working with an Associate Advisor on shared clients. In turn, it's notable that Associate Advisors themselves report the lowest average wellbeing of any service team role, suggesting that Associate Advisors may experience tension with experienced advisors who are reluctant to share their client-facing responsibilities.

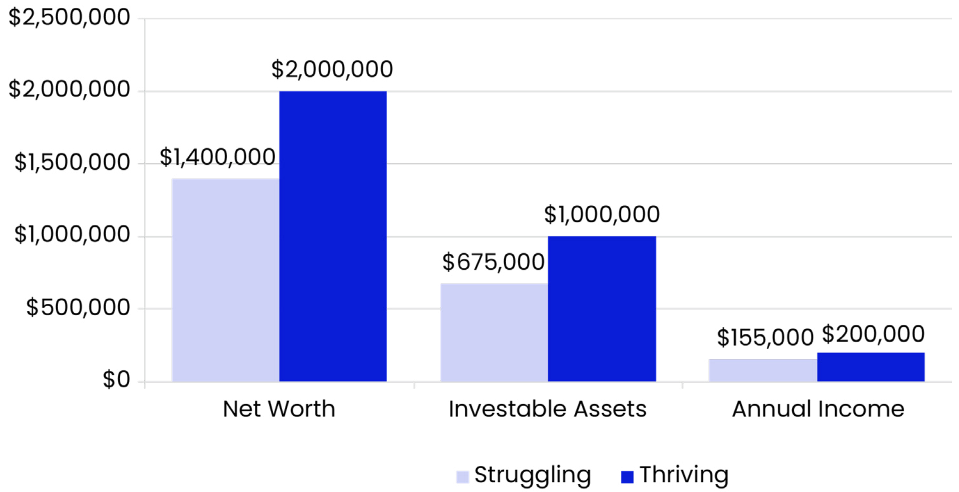
Clients Served

Client characteristics correlate with wellbeing in some key areas, which makes sense given our discussion earlier in the "Wellbeing Drivers That Matter Most" section, highlighting that wellbeing is at least moderately impacted by advisors feeling like they're paid what they're worth for their value.

Respondents with higher wellbeing are clearly working with more affluent clients who have more financial wherewithal to pay the advisor more for their advice in the first place. Income, assets, and net worth of the typical client served by Thriving respondents are all about 50% greater relative to Struggling respondents (Figure 6.4). While client affluence does not directly drive wellbeing, more affluent clients do typically align with the ability to earn greater income, a factor that more directly drives wellbeing.

Serving niche clients also correlates with greater wellbeing. Of Thriving respondents, 63% specialize in certain client types compared to just 49% of those Struggling. Compared to respondents who are not part of a specialized practice, respondents with a niche market typically earn higher annual incomes (with a median income of $200,000 versus $150,000 for others) and work fewer weekly hours (adjusted median of 36.9 hours versus 38.5 hours for others), which helps to reinforce the tie between greater wellbeing and niche markets.

Figure 6.4. Client Affluence, Struggling And Thriving

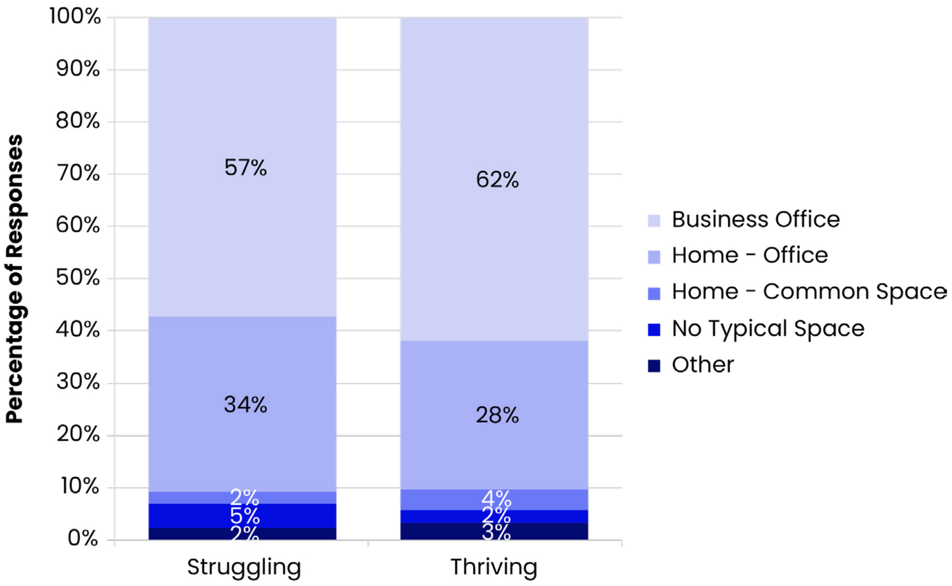


Work Environment

While the brunt of COVID-19 may be behind us, the question remains as to whether 'the office' continues to be the best place for workers to do office work. Worker wellbeing is often a key consideration in determining whether work should be conducted from a business office, from home, or someplace in between. Surprisingly, there appears to be, at best, only a mild correlation between a financial advisor's physical work environment and wellbeing.

Figure 6.5 contrasts the workplace accommodations for Struggling and Thriving respondents. A smaller share of Struggling respondents (57%) work in a business office compared to 62% of those who are Thriving. For all respondents who typically work in a business office, the average Cantril wellbeing score was 6.9. This score is the same for those working in a common space at home but slightly higher than the 6.7 average for those with a dedicated home office.

Figure 6.5. Daily Work Environment, Struggling And Thriving



A few notable correlations between work environment and wellbeing emerge when examining specific subsets of the data. For example, owners who normally work from a business office average 7.2 on the Cantril wellbeing scale versus 6.8 for owners who most often work from home. The work environment is not likely driving wellbeing in this case, though. Owners who work from home may have lower wellbeing because of other factors – they tend to be less experienced, earn much less, and are more likely to be in a transitioning or startup phase with their practice. Which suggests that for many of these owners, working from home may not have been a deliberate choice, but a financial necessity as they may not yet have the resources to secure formal office space. For employees and contractors who work from home offices (as opposed to owners who work from a home office) and who have a parent entity that typically provides office space, their wellbeing is roughly similar to their peers who work in business offices.

Among the highest-earning financial advisors, though, those working from a business office have significantly higher wellbeing. The average Cantril rating for income-earners in the top 25th percentile ($350,000 or more) is 7.7 compared to 7.3 for the most highly compensated who work from home, suggesting that perhaps happiness is earning enough to afford a business office while enjoying the luxury of not being required to go to one! On the other hand, it's notable that stress appears to increase when working with kids in the house, as mid-career (10–19 years of experience) and middle-aged (44–54 years old) respondents averaged the lowest wellbeing when working from home relative to a business office.

Not surprisingly, the greater the flexibility in determining one's work environment, the greater the wellbeing assessment. Wellbeing ratings for those with total flexibility averaged 7.0, compared to 6.5 for those with no flexibility. The relationship may be more of a correlation than causation, however. Respondents with less flexibility to choose their work environment tend to be associated with several negative drivers, which likely have a greater effect on their wellbeing. This includes having less experience, earning less, and working more hours.

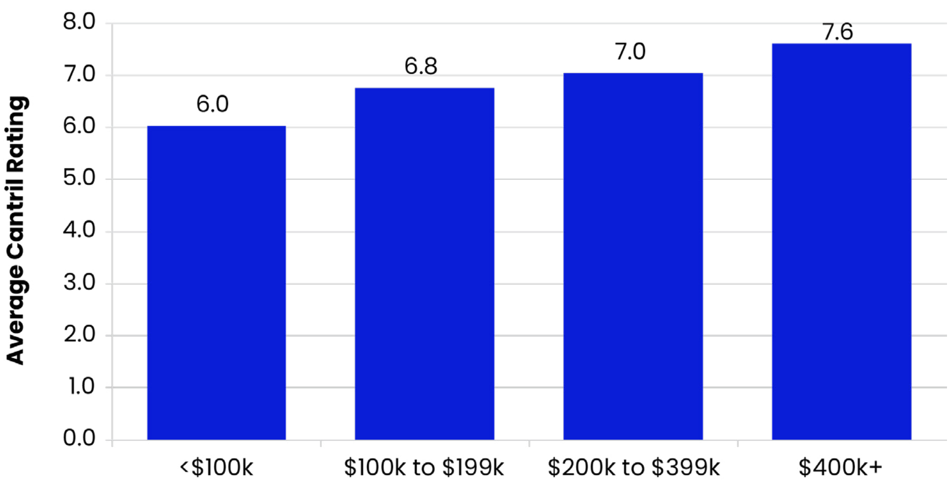
In conclusion, the data imply that working from home is not substantively better or worse than working from the office when it comes to advisor wellbeing. Some individual advisors do have preferences, though, and being unable to choose their preference – whether by employer constraints or their own financial circumstances (e.g., as a startup advisor) – detracts from wellbeing.

Wellbeing can also be examined from the perspective of income, which includes not only the level of compensation a financial advisor receives, but also the methods through which clients pay the practice and, in turn, how the practice ultimately compensates the advisor.

Annual Income

Among the various factors that influence wellbeing, income level plays a somewhat significant role. Struggling respondents earn a median annual income of $100,000, less than 1/3 of the $330,000 earned by the typical Thriving respondent. As income increases, wellbeing shows a steady upward trajectory (Figure 7.1).

Figure 7.1. Wellbeing By Annual Income



While income is strongly correlated with wellbeing, its role as a direct driver of wellbeing is relatively modest, according to our regression analyses. Nevertheless, income is associated with with other, more direct and influential drivers of wellbeing. These include historical well-being levels, the advisor's experience, perceived job effectiveness, and the maturity of the practice.

The relatively minor influence of income on wellbeing may be partly explained by how the earnings of the typical financial advisor compare to the broader U.S. population. Since even the lower-compensated individuals within the industry often earn above the median income relative to the general population, the incomes of advisors are generally above the threshold where additional income has a major impact on wellbeing.

By contrast, doubling a low annual income, such as going from $20,000 to $40,000, can have a dramatic impact on wellbeing by addressing fundamental needs like housing and food. However, for an advisor who doubles their income from $100,000, which already covers basic needs, the increase is often spent more on life's luxuries, which may not yield as significant a boost in wellbeing.

Thus, despite its correlation with wellbeing, income alone does not seem to guarantee happiness for those in the financial planning industry. Examining other influential factors while keeping income levels relatively constant further highlights this point. For instance, Figure 7.2 contrasts the differences in key wellbeing drivers between Struggling and Thriving respondents within different income brackets: the bottom quartile (earning less than $100,000) and top quartile (earning more than $350,000).

Figure 7.2: Highest And Lowest Income Quartiles, Struggling And Thriving

	Struggling	Thriving
Lowest Income Quartile		
Wellbeing 5 Years Prior (Cantril Average)	3.3	6.5
Effective at Job (% in Strong Agreement)	14%	61%
Median Hours Worked Per Week	43.3	27.4
Share in Transitioning or Startup Practices	47%	44%
Years of Client-Facing Experience	5	8
Highest Income Quartile		
Wellbeing 5 Years Prior (Cantril Average)	5.6	6.9
Effective at Job (% in Strong Agreement)	23%	63%
Median Hours Worked Per Week	47.1	34.1
Share in Transitioning or Startup Practices	0%	0%
Years of Client-Facing Experience	17	23

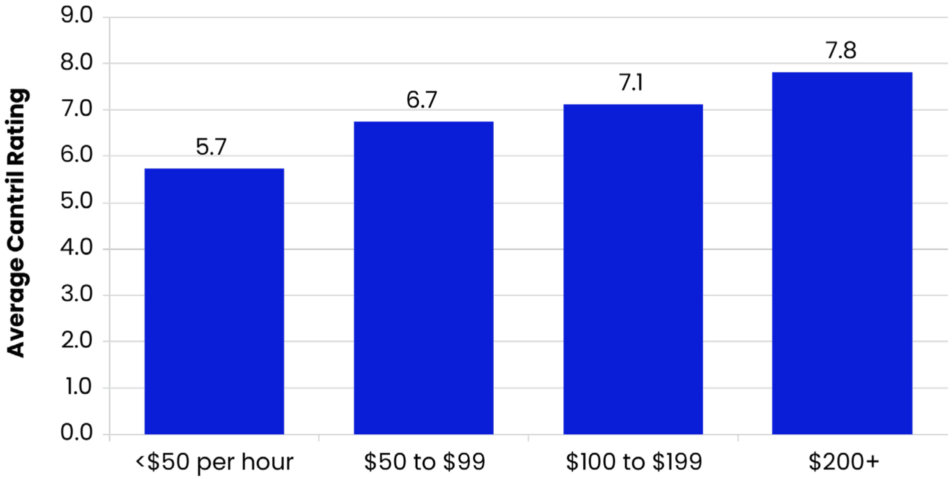
When controlling for income differences in this way, other more influential drivers of wellbeing remain evident. Thriving respondents in both the highest and lowest income quartiles exhibit greater past wellbeing, work fewer hours, and possess more experience compared to their Struggling counterparts. Additionally, a higher proportion of Thriving respondents feel they are effective at their jobs across both income groups. Notably, for the lowest earners, those who are Thriving are also marginally less likely to be working in transitioning or startup practices.

Hourly Earnings

A more pronounced positive correlation exists between wellbeing and an individual's "hourly earnings", defined in terms of the respondent's reported annual income divided into total hours worked over the course of a year (regardless of whether the advisor actually charges on an hourly basis or not). Notably, this metric includes all of an advisor's working hours – not just those that are client-facing in a normal "billable hours" environment – and represents a proxy for the advisor's aggregate ability to generate revenue with their work hours.

When viewed through this lens, the average wellbeing for top quartile hourly earners is 7.8 compared to just 5.7 for lowest quartile earnings (Figure 7.3).

Figure 7.3. Wellbeing By Hourly Earnings



Hourly earnings don't directly influence wellbeing, however, but hourly earnings are a function of 2 factors that do – hours worked and (to a much lesser extent) annual income. The result suggests that the hourly earnings metric incorporates the time invested to achieve a given level of income and creates a steeper positive correlation with wellbeing than the simpler comparison of wellbeing with income only. Probing further, hours worked are likely to have a more outsized role in driving this relationship; again, beyond a certain income point, greater wellbeing comes not from earning incrementally more dollars, but from being able to work fewer hours and having more free time while maintaining that very-healthy income.

Accordingly, when bucketing respondents by roughly the same levels of hourly income, a key factor distinguishing Thriving respondents from their Struggling peers is working fewer hours, more so than earning a higher annual income (Figure 7.4). Among respondents in the bottom quartile for hourly earnings, those who are Thriving may have earned 15% more annually relative to those Struggling but in doing so, they also worked nearly 20% less. For top quartile hourly earners, the difference is more striking – those who are Thriving worked 28% less compared to those who are Struggling while earning 45% less in annual income ($600,000 versus $1.1 million).

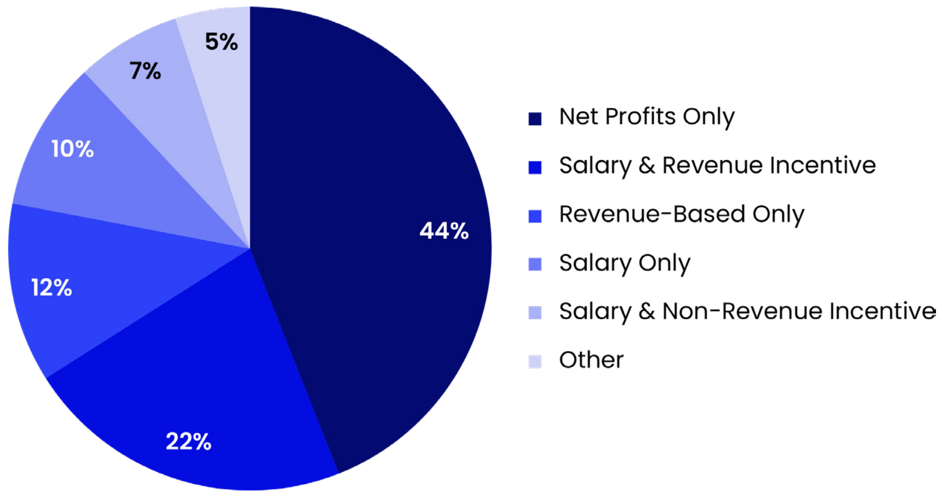
Figure 7.4. Highest And Lowest Hourly Earnings Quartiles, Struggling And Thriving

	Struggling	Thriving
Lowest Hourly Earnings Quartile		
Median Annual Income	$54,500	$62,500
Median Hours Worked Per Week	43.3	35.6
Highest Hourly Earnings Quartile		
Median Annual Income	$1,100,000	$600,000
Median Hours Worked Per Week	43.3	31.3

Compensation Structure

Financial advisors have diverse compensation structures that differ from many other professions, ranging from fixed salaries to variable compensation based on practice ownership profits. Figure 7.5 illustrates this range among respondents. As shown, a majority of advisors receive variable compensation, with 44% earning solely from net profits and another 12% compensated exclusively through revenue-based means.

Figure 7.5. Compensation Structures



Wellbeing varies only moderately according to an individual's compensation structure. Those who rely on net profits alone tend to have higher levels of wellbeing. By contrast, those who depend on revenue-based compensation – either solely or alongside a salary – tend to report lower levels of wellbeing. It's noteworthy that individuals relying solely on net profits also tend to have more experience, averaging 17 years in client-facing roles compared to the 10-year average of other respondents. This additional experience may also contribute to enhanced wellbeing.

This trend is consistent with the observed differences in wellbeing among owners, contractors, and employees. Owners, who typically depend on profits, usually report the highest wellbeing within a firm. Contractors, who more often depend on revenue-based income, tend to have the lowest wellbeing. And employees, who generally fall in the middle regarding wellbeing, are frequently compensated with a fixed salary plus potential revenue-based incentives. This is particularly common for those new to the field who are on track to shift towards a completely revenue-based compensation model in the future.

The overall minimal variation in wellbeing according to how an individual gets paid, however, may simply be a result of individuals gravitating toward the pay structure that suits them best. Figure 7.6 compares the preferred pay structures of respondents with how they are actually paid. Those on a salary tend to favor stability and a consistent income, while those who receive variable compensation lean toward the risk and potential rewards that come with fluctuating earnings. Additionally, 'survivor bias' could be influencing this trend, meaning those satisfied with their compensation structure typically remain in their roles, whereas those dissatisfied tend to move on to opportunities that better suit their preferences. Thus, while individual advisors may experience potential challenges along the way, the industry at large actually appears to be relatively good at self-sorting advisors into the channels that align with their compensation preferences.

Figure 7.6. Pay Structure And Preferences

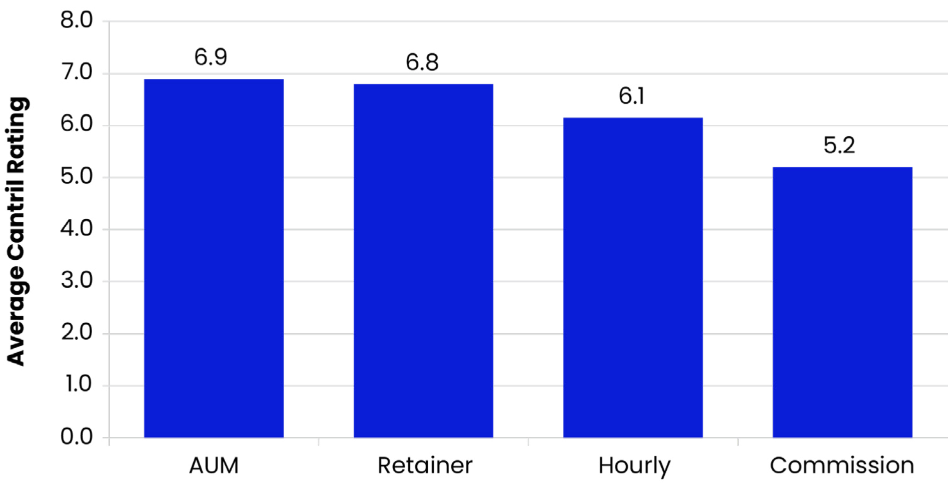
	Preference Leaning	
Pay Structure	**Upside Potential Vs Steady Income**	**Variable Comp. Vs Stable Salary**
Fixed Salary Only	Steady	Stable
Salary As Draw	Upside	Variable
Salary With Revenue Incentive	Steady	Stable
Salary With Non-Revenue Incentive	Steady	Stable
Revenue-Based Only	Upside	Variable
Net Profits Only	Upside	Variable

Client Revenue Sources

The final aspect of financial advisor compensation relates to how revenue is generated from clients. The majority of respondents (79%) work in teams that primarily derive client revenue from AUM fees. Another 10% of represented teams were retainer-oriented, with the remainder divided largely between those relying on hourly fees or commissions.

As shown in Figure 7.7, advisors who charge clients based on ongoing or relationship-based fees (AUM or retainer) report higher levels of wellbeing compared to those who depend more on transactional charges (hourly or commissions). Advisors with a majority of their revenue coming from AUM fees report the highest average wellbeing scores (6.9), closely followed by those on a retainer-based model (6.8). Conversely, those earning primarily through commissions have the lowest average wellbeing (5.2).

Figure 7.7. Wellbeing By Primary Client Revenue Source



While the methods that advisors use to charge clients did not emerge as a direct driver of advisor wellbeing, they are linked with influential factors that do drive wellbeing. For instance, less satisfied commission-based workers often rate their job effectiveness lower, tend to be less experienced, earn lower incomes, and are more likely to be in a transitioning or startup practice. By contrast, advisors who work in teams that predominantly rely on AUM fees rate their job effectiveness higher, have more experience, earn the highest incomes, and are least likely to be in transitioning or startup practices.

Conclusion – General Lessons For Advisor Wellbeing

4

From highlighting the benefits of wellbeing, reviewing historical trends, and comparisons of advisors with the population at large, and then extending to drivers that matter, correlating variables, and detailing wellbeing according to the 4 perspectives, this Kitces Research report offers a comprehensive examination of wellbeing within the advisor community. From this information, important lessons emerge for industry participants interested in better advisor wellbeing. These are provided below, aligned with the 5 identified wellbeing factor drivers that matter most.

While wellbeing improves with experience, there are ways to make the early years of an advisory career less stressful.

The first years spent gaining footing in the financial services industry are often challenging for virtually anyone new to the career. With experience, wellbeing improves markedly, especially once advisors achieve a 'critical mass' of initial clients and move out of the startup phase of their careers. To reap the benefits of experience, though, budding advisors must first position themselves to simply be able to survive their initial years in the industry to get to the better years that follow.

For most new advisors, with a preference for service over sales, this includes avoiding 'eat what you kill' entry roles, where new advisor compensation is heavily dependent on business development success. Related, working in a transitioning or startup practice is not conducive to wellbeing for any advisor, and the stress of an early-stage practice is only amplified for inexperienced advisors, who must concurrently confront both business set-up and business development challenges. More experienced advisors, having already gained experience and confidence in their business development (and client service) capabilities, can just focus on the challenges of setting up the business.

In addition to early-stage practices, certain positions or roles are also associated with lower wellbeing. These include Associate Advisors, and those with contractor status. Often these may be necessary steps on a career path and can't be avoided. If this is the case, there are tactics which can minimize the time spent working under these circumstances, and thereby accelerate experience and achieve higher wellbeing as a result.

This includes gaining a good understanding of what the career path looks like within the practice, and what are the milestones that need to be accomplished to progress upward. Identifying and taking advantage of training and mentoring opportunities can help to accelerate this progression and create the illusion of being more experienced despite fewer years on the job. Capitalizing on any opportunity to be present in client meetings can further amplify experience by gleaning first-hand insight into how other advisors manage their clients. Compressing the experience curve in these ways also typically produces an added side benefit in the form of an enhanced sense of on-the-job effectiveness, which can serve to further boost wellbeing,

Autonomy's critical role in driving wellbeing cannot be understated.

For decades now, advisors have migrated toward more independent affiliation models. This motivation to seek greater autonomy continues even among independent advisors and isn't surprising given the outsized role autonomy was shown to play in supporting advisor wellbeing. Maintaining work-life balance, having command over your work schedule, and maintaining hours worked at a manageable level all contribute to having a sense of autonomy and greater wellbeing as a result. Being able to afford an office but having the flexibility to not work from it every day, is another aspect of autonomy that is associated with wellbeing.

Ownership is often the best route for achieving autonomy. For those who may not yet be at the point in their careers where ownership is practical, however, other tactics can be employed to increase a sense of autonomy. Efficiency measures can help advisors better gain control of their schedules and work hours. These can come in the form of technology solutions, better defined workflow, or adding and optimizing support staff.

If you want to be on a team, find one.

While not all advisors are team oriented – some prefer the full autonomy of being entirely on their own – those who do prefer working on a team were much happier when they were part of an ensemble team. In turn, wellbeing generally increased when advisors associated with bigger teams, with the greater resources provided by these larger teams helping to focus the advisor more exclusively on the (typically client-serving and facing) tasks that they are best at.

That said, while happier advisors enjoy the support of a team in managing clients, wellbeing may suffer when sharing or collaboratively serving relationships (a Lead and Associated advisor teaming together for example) as opposed to when team members play complementary (but not overlapping) roles.

Focus on serving clients but be sure to get paid what you are worth.

Wellbeing tends to be supported by advisors who are motivated by serving and helping others, in combination with getting paid appropriately for the value the advisor provides clients. In other words, the satisfaction of improving financial lives on its own won't maintain happiness without fair compensation.

Getting paid what you are worth requires that advisors charge a full fee for services delivered, and that they work with people who can afford to pay these fees. In practice this is challenging for many advisors because it implies that they may not be able to work with all clients (those who cannot afford to pay the full rate for financial advice) and that they may need to raise their fees over time to reflect to better reflect their expanding capabilities.

These challenges can be overcome in a combination of ways. First, advisors must be sufficiently confident in their capabilities and expertise to charge a fair fee and resist the temptation to discount. Second, whatever fee structure the advisor prefers, it must be implemented in a way that most adequately captures the cost of service delivery and best communicates value delivered. Lastly, and perhaps most importantly, the advisor's target clientele needs to have the means, and the desire, to pay for these services, which may require shifting no-longer-ideal-fit clients to other advisors as the years go by.

Advisors' preferences toward service also have relevance at the firm level in terms of highlighting the need to re-evaluate recruiting focus. The industry's long-standing interest in attracting recruits with an 'eat what you kill' mentality must evolve as new advisors and the industry at large transform toward a more service and nurture-oriented way of working with clients. While attracting new clients is a valued and necessary skill, so is the ability to serve clients and maintain relationships – an advisor doesn't necessarily need to do both well, particularly an advisor new to the business. This is especially true when advisors work in teams, another important aspect driving wellbeing as previously noted.

Building a business doesn't make everybody happy, but it really does for some.

In general, advisors with a preference for profits over purpose tend to be unhappy. As noted, wellbeing tends to be supported when advisors look beyond generating income for motivation and focus more, for example, on the rewards of autonomy, teaming, or service.

That said, it's important to recognize that a unique subset of our survey respondents did find more happiness with a narrower focus on simply building a profitable business that creates enterprise value (and can provide a high level of income). These entrepreneurial business builders had a comfort level for taking on added business risk in exchange for the opportunity to earn greater income.

Advisors that meet this profile are encouraged to pursue this less conventional route, given a good chance that these unique individuals can find happiness as financial planning entrepreneurs. However, it is notable that the happier entrepreneurial business builder advisors were more experienced advisors with more years of mastery in client service and business development, likely positioning them to better focus their energy on building the business itself. Which means that even for entrepreneurially-oriented advisors, there is such a thing as trying to build your own business too early in your career.

Parting Thoughts

Financial advisor wellbeing is shaped by many influences, some of which are unrelated to work or not easily subject to change. That said, advisors dedicate most of their waking hours to work, and the nature of their work offers a wide range of opportunities for generating greater wellbeing. Advisors can more fully capitalize on these opportunities by being mindful of what really drives their own wellbeing, and focusing on those drivers that can most readily be managed or altered to create positive change. Everyone deserves happiness – and given the right set of workplace conditions, it's typically within reach.

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