

WHY DON'T MORE ADVISORS LOOK LIKE LAZETTA BRAXTON?

HOW TO ADDRESS THE INDUSTRY'S RACE PROBLEM.

BY CHARLES PAIKERT



PHOTOGRAPH BY BRAD TRENT

“MORE BLACK FAMILIES ARE ENTERING THE ECONOMIC MAINSTREAM, HAVE MORE INCOME AND ARE SAVING FOR COLLEGE AND RETIREMENT.... THEY NEED ADVICE AND [THE FINANCIAL SERVICES INDUSTRY] IS PASSING UP MILLIONS OF DOLLARS BY NOT REACHING OUT TO THEM.” -Rev. Anthony Evans, Leader of 34,000 churches

Newly minted financial planning assistant Airionne Givens didn't have a lot of money when she was growing up in St. Louis. And she saw plenty of other African-American families who struggled with college costs, retirement saving and other financial challenges.

Until Givens went to college, she had never heard of, or knew about, financial planning. But once she did, she was hooked. "I wanted to help people who were in the same predicament as the people I knew, and I saw that this was a way I could do that," Givens says.

Givens and four other African-American students (out of 30 financial planning majors) graduated from the University of Missouri in the spring. Now, as part of the Advisors Ahead residency program, she is working at Paragon Wealth Advisors, an Ameriprise firm in Seattle.

She's thrilled to get started in the business, but wishes she could confide in another African-American advisor who could help her successfully navigate her new world. "I don't know any African-American advisors," she says, "There aren't any role models right now."

Indeed, for African-Americans, the financial advisory profession can be a very very lonely place to be.

Take a look around almost any conference for financial advisors — odds are there won't be more than a handful of African-Americans. And walk into an office of a typical independent RIA or wealth management firm, and chances are there won't be any black advisors at all.

What statistics do exist are bleak. According to the U.S. Census Bureau, minorities — including Hispanic and Asian Americans — make up about 8% of financial service employees, which includes all manner of jobs in all types of financial service businesses.



'It's a Tough Business'

African-American advisors, few in number, continue to struggle with cultural and wealth barriers.

In a 2011 report on workforce diversity, SIFMA surveyed 18 large financial services firms and found that 8% of brokers or financial advisors at those firms were "people of color." (Of all firms owned by African-Americans, finance and insurance businesses account for just 2.2%, according to the most recent statistics from the U.S. Department of Commerce.)

And at independent financial advisory firms, African-Americans most likely make up just 1% to 2% of all advisors, according to industry executives interviewed by Financial Planning. "If it's even 1%, I'd be surprised," says Lazetta Braxton, founder of Financial Fountains, an RIA based in Baltimore. She's also president of the 13-year-old Association of African American Financial Advisors, a regional organization that has national aspirations but just three dozen members.

'NOT GOOD ENOUGH'

"The financial services industry as a whole has not done a good enough job of recruiting, training and retaining African-American financial advisors," says Paul Reilly, chief executive of Raymond James Financial. "Raymond James is not an exception, but we are committed to making improvements."

Indeed, Raymond James was one of the few firms that was even willing to discuss the matter.

When Financial Planning contacted the top five independent B-Ds on its FP50 list and the top five independent firms on its RIA Leaders rankings, seeking either comments or details about any African-American advisors or diversity programs they might have, Raymond James was the only firm to respond. (LPL Financial, Ameriprise Financial, Commonwealth Financial Network and Wells Fargo Financial Network all declined, as did RIAs Oxford Financial Group, Rockefeller, Shepherd Kaplan, Summit Rock Advisors and Creative Planning.)

The sluggish progress of African-Americans is all the more striking when compared with the industry's full-court press to recruit and retain women, who now make up approximately 25% to 30% of advisors, according to industry sources.

"Diversity follows wealth," says Eleanor Blayney, the CFP Board consumer advocate and author of the board's recent report on women in the planning profession. "The current interest in female advisors is an outgrowth of the industry's obsession with women clients now that it's clear that women are earning, inheriting and controlling money."

NO CANDIDATES?

Independent advisors who did agree to be interviewed pointed to the scarcity of African-American advisors as candidates for available positions.

'DIVERSITY FOLLOWS WEALTH. THE CURRENT INTEREST IN FEMALE ADVISORS IS AN OUTGROWTH OF THE INDUSTRY'S OBSESSION WITH WOMEN CLIENTS NOW THAT IT'S CLEAR THAT WOMEN ARE EARNING, INHERITING AND CONTROLLING MONEY.'



PHOTOGRAPH BY ERIC MILLETTE

"THE HISTORICAL LACK OF WEALTH AMONG BLACKS IS A MAJOR FACTOR," SAYS FRANK PARÉ, PRINCIPAL OF THE PF WEALTH MANAGEMENT GROUP IN OAKLAND, CALIF.

"In all the years that we have put out ads for different advisor positions, we've only interviewed [a few] African-American applicants," says Tom Orecchio, principal at Modera Wealth Management in Westwood, N.J., and former NAPFA chairman.

One applicant was offered a position, but decided to take a job at a wirehouse instead, he says. Modera currently has no African-American advisors.

In the 25-plus years since Greycourt, the Pittsburgh-based \$9 billion wealth management firm focusing on ultrahigh-net-worth clients, opened its doors, no African-Americans have even applied for a job, says its chairman, Greg Curtis: "That's how bad it is."

"It would be great" to have an African-American as one of the firm's dozen client-facing advisors, Curtis says. But working with "a bunch of rich white people" — a reference to Greycourt's existing clientele — may not be particularly appealing to a young African-American, he speculates.

While Greycourt clients have asked to work with women advisors, there has been no similar demand for African-American advisors, Curtis reports. Nor does he see the situation changing "any time soon."

ROOT CAUSES

At its root, the discrepancy appears to be grounded in one regrettable but stark economic reality: Historically, black Americans have earned less money and have less wealth than white Americans.

While the situation has improved in recent decades, the income gap is still considerable: Based on median earnings of people over age 25 who are employed full-time, compiled by the U.S. Bureau of Labor Statistics, the average annual income of African-Americans is \$34,424, some 20% less than their white counterparts.

"The historical lack of wealth among blacks is a major factor," says Frank Par?, an African-American who is principal of PF Wealth Management Group in Oakland, Calif. "Even as incomes for blacks have risen, there's still a disparity between income and wealth. People have been concerned with paying their bills and buying a house and there hasn't been much exposure to or education about financial advisors, which is a relatively new industry to begin with."

Another issue may be the disaggregated nature of the industry. "RIAs don't have the same pressure [to diversify] on them as the big firms with shareholders who feel an obligation to be diverse," says Danny Sarch, a veteran of executive searches and president of Leitner Sarch Consultants in White Plains, N.Y.

"What makes the situation worse is that there's no training pipeline for the independents," Sarch adds. "They're just poaching from each other, and the supply is limited and homogenous."

Cultural issues may be another problem, suggests William Pitney, an African-American CFP and financial coach who is founder and CEO of FocusYou, based in the San Francisco Bay Area. "It was never something that was even talked about," Pitney says.

Even blacks who have been able to succeed professionally are often "uncomfortable" talking about and investing money, Pitney suggests. "If you come from a family where that was the case," he asks, "why would you go into an industry that's all about money?" Relative disparities in income and wealth are also perceived as a disadvantage — and



A Familiar Face

A financial planner's determination to serve her community.

THE NEXT GENERATION

Perhaps the most encouraging sign for increased diversity in the industry can be found at colleges offering financial planning degrees that are targeting minorities, industry observers say.

"Young people want to change the world, and minorities want to change what happened to them and their family," says veteran advisor Deena Katz, an associate professor at Texas Tech University's Personal Financial Planning

disincentive — for African-Americans who want to become advisors.

"At some point, you need to have a book of business," says Braxton, who has served on the FPA's diversity committee. "When you're building that business, you're naturally going to turn to people you know, whether it's friends, family, classmates or people in the same social network. But if you're approaching African-Americans, you have a smaller base to work from."

CHANGING DEMOGRAPHICS

Still, the country's demographics are changing. Non-whites currently make up over one-third of the U.S. population and are expected to account for about 40% by 2025, according to the U.S. Census Bureau.

The African-American market for financial services is also growing. Despite a lingering "wealth gap" compared with white Americans, median weekly earnings for black Americans over 25 years old have risen 33% in the past 14 years, according to the U.S. Bureau of Labor Statistics. The African-American market is estimated to have close to \$1 trillion in spending power and 9 million African-American baby boomers are expected to retire within 20 years.

As is true elsewhere in the high-net-worth market, business ownership accounts for a significant chunk of African-American wealth. There were 1.9 million African-American owned firms in the U.S. as of 2010 — the most recent year for which the U.S. Department of Commerce's Minority Business Development Agency provides statistics — averaging \$912,000 in annual receipts.

'RIAS DON'T HAVE THE SAME PRESSURE [TO DIVERSIFY] ON THEM AS THE BIG FIRMS WITH SHAREHOLDERS WHO FEEL AN OBLIGATION TO BE DIVERSE.'

In Ohio alone, there are over 50,000 black-owned businesses, according to Jacqueline Williams, chief of the Minority Business Development Division at Ohio's Development Services Agency. Earlier this year, the agency hosted a Black Enterprise Conference that drew over 1,000 attendees.

Yet in the 12 months that she's held the job, Williams says, she has met only one African-American financial advisor. "I don't see them and I don't hear about them," she says. "It's very puzzling, because I certainly believe there's an unmet need for that service in the African-American community. There's clearly a market among business owners, who are looking for someone they can trust and help grow their business."

More generally, African-American families are underserved by financial advisors, according to the Rev. Anthony Evans, president of the National Black Church Initiative, which is working with 34,000 black churches across the country to provide financial literacy educational programs.

program. "If we present financial planning as a way to do that, it's a very attractive way to appeal to them."

That kind of idealism — as well as seeing the opportunity to make a good living — resonates among young minority students, says Duncan Williams, professor of financial planning at William Paterson University in Wayne, N.J. — where, he says, just over half of the school's financial planning students are minorities.

William Paterson is getting the word out by inviting academic advisors from local high schools and community colleges to the school for lunches to hear about the program. And the effort is paying off: In the last 12 months, the financial planning program has received approximately 400 job announcements for its students, Williams says.

"People in the industry realize that what they see here is what America looks like, and that we have a good story to tell," he says.

Other financial planning programs, such as the master's programs at Texas Tech and the University of Georgia, are also emphasizing recruiting minority students. A number of historically black colleges, such as Delaware State and Prairie View A&M in Texas, are also beefing up their financial planning programs.

"I'm optimistic, because more African-American students are beginning to see financial planning as relevant," says Nandita Das, associate professor of finance at Delaware State. "They see that blacks are comfortable talking about finances to people like themselves, and they see this as a niche they can fill."

— Charles Paikert

"We're seeing a huge need for financial planners," Rev. Evans says. "More black families are entering the economic mainstream, have more income and are saving for college and retirement. ... They need advice and [the financial services industry] is passing up millions of dollars by not reaching out to them."

GROWTH CHALLENGE

Many believe the profound lack of diversity among advisors will be a major handicap in an industry already grappling with an aging — and predominantly male — workforce.

"If we want to continue to grow, we need to have a diverse workforce that mirrors the population," says Diahann Lassus, principal of the wealth management firm Lassus Wherley, which is recruiting job candidates from William Paterson University's financial planning program, where half the students are minorities. [See sidebar on this page.]

"We're planners, after all," says Lassus, whose firm has offices in Bonita Springs, Fla., and New Providence, N.J. "When we look down the road, we see a different client base than what we have now. That's the reality of the world."

Yet concrete programs to increase the number of African-American advisors at independent firms have been scattershot at best.

Raymond James has made one of the industry's more substantial efforts, partnering with Inroads, a nonprofit organization that works with minority youth. The firm has hired Inroads interns to work in its corporate offices and is launching a program with the organization to hire students to work in Raymond James branch offices and ultimately encourage them to enter its advisor training program.

The company has also established an African Heritage Network employee support group that identifies "high potential associates" for advisor training and mentoring.

"I know these are just small steps," Reilly says, "but I'm passionate about making headway on our efforts. We'll continue to review ways to increase our entry-level pipeline as well as opportunities for experienced professionals, because we believe a diverse advisor population makes good business sense."

Edward Jones' BRIDGE diversity program for its employee advisors is also often cited as exemplary for its emphasis on formal one-on-one mentoring relationships.

For now, however, there are few support groups and conferences for independent



PHOTOGRAPH BY BRAD TRENT

"IF THERE IS NO PASSION FOR DIVERSITY, IT DOESN'T GET DONE," SAYS LAZETTA BRAXTON, FOUNDER OF FINANCIAL FOUNTAINS IN BALTIMORE. "YOU NEED PEOPLE OF NON-COLOR TO BE ADVOCATES."



REV. ANTHONY EVANS
LEADER OF 34,000 CHURCHES

SPARKING INTEREST AT BLACK SCHOOLS

A financial planning program for students at three historically black institutions in Atlanta got a jumpstart from a U.S. Department of Agriculture grant. The classes are held at Clark Atlanta University, but are also open to students at Spellman and Morehouse colleges.

African-American advisors. Although the Association of African American Financial Advisors has national aspirations, it currently is primarily a regional organization in the Baltimore-Washington area. And while the American College of Financial Services hosts an annual Conference of African-American Financial Professionals, most of the attendees work for insurance companies.

NAPFA, too, is "very early on in conversations" about diversity initiatives, and is "gathering data to show that a career as a financial advisor can be viable," says Geof Brown, the association's chief executive.

"The industry understands that this is a conversation that needs to take place," says Brown, who himself is African-American, adding that NAPFA hopes to partner with custodians and academic graduate programs. "We need to see what we can do to broaden access and knowledge about the profession."

FIXING THE PROBLEM

What else can be done to increase the numbers of African-American financial advisors?

"Three things are critical: awareness, exposure and opportunity," says Trudy Turner, who has been an advisor with Robertson, Grieve & Thoele, a \$3 billion firm in Dallas, since 2005.

"As a profession, financial planning is not even on the radar in a large part of the African-American community," adds Turner, who is now director of financial planning for the firm, and has been named one of the top financial planners in Dallas by D magazine for the past 12 years. "There need to be role models, and they need to be out there so people can see them."

Introducing young African-Americans to financial planning has to start in the schools, says Derek Klock, associate professor at Virginia Tech's financial planning program. "You have to get advisors into the high schools where the black students are," he says.

Marc Turner, an African-American advisor who owns his own business, Renaissance Advisory Group in suburban Philadelphia, has been doing exactly that. He teaches city high school students about the stock market and financial literacy, and he says he is encouraged by what he sees.

"Those young people are seeing someone like me working in the financial markets and owning my own business, and they feel they have a chance — they want to emulate that," Turner says. "The message is pretty clear: If I can do it, you can too."

Scholarships, internships, mentoring programs and increased recruiting are all seen as vitally important to increase the number of African-American advisors. Indeed, mentoring is the "critical missing element" in increasing the industry's racial

"We found that students who were accounting, finance or business majors like having more options," says Crystal Hudson, an assistant professor at the university's school of business who also is the program director. Students can either minor in financial planning or take a dual-concentration within a broader finance major.

"They see that they can take these tools and help themselves as well as the community," she says.

Thanks to a separate USDA grant for higher education, Atlanta university students are helping city residents do their tax returns and learn more about personal finance. That program began at the University of Georgia, where Hudson got her Ph.D in financial planning; the program has a history of community engagement, says associate professor Lance Palmer.

"We've done over 1,000 tax returns as well as financial counseling," Palmer says. "It's a very tangible activity where we serve an underserved population. About 40% of the volunteers are African-American students, and it's really appealing to them because they see how they can make a difference."

— Charles Paikert

IN SEARCH OF TRUE DIVERSITY

While the industry focuses on female planners, where's the push to attract advisors of color?

By Marc Turner

Over the last several months, I have noticed an effort from various custodians and industry publications to bring awareness to the lack of women advisors.

Unfortunately, the lack of women advisors in the investment industry does not come as a surprise to me at all — actually, I was



diversity, says FPA president Janet Stanzak; she says the association is considering launching a mentoring match program.

The FPA's Diversity and Inclusion Initiative also sponsors diversity scholarships to help advisors attend the association's annual retreat and conference. This year, one award went to an advisor who works with lower-income clients. But the association does not have scholarships specifically for minority students, and no other new projects are being planned, says Stanzak, who is also principal and owner of RIA Financial Empowerment, based in Bloomington, Minn.

The Association of African American Financial Advisors tries to give out one or two scholarships a year, but they are dependent on the association's budget and outside contributions; the last scholarship was awarded in 2012.

POTENTIAL CAREER PATH

Advisory firms need to step up, prominent industry figures say.

"We should be doing more to create summer internships for minorities at the high school level so that they can begin thinking about this industry as a career path," says Mark Tiberghien, chief executive officer of Pershing Advisor Solutions.

To recruit talent, advisors need to get into minority neighborhoods outside their usual comfort zone, says Kate Healy, head of institutional marketing at TD Ameritrade Institutional.

"Advisors have to look at people for their potential and not just their experience," Healy says. "If we look for experience, we're just going to keep getting the same people."

Braxton says that successful recruiting begins with advocacy inside firms. "There are certainly not enough recruiting efforts out there," she says. "It has to be intentional. If there is no passion for diversity, it doesn't get done. You need people of non-color to be advocates."

At the very least, internal support within wealth management firms is critical for success, say African-American advisors.

"The firm has to believe in you — that's key," Trudy Turner says. "I think money is color blind and that in most circumstances people are looking for competency and not at skin color," she adds. "I was good at what I did and I had the support of senior management — and that made all the difference."

Charles Paikert is a senior editor of Financial Planning. Follow him on Twitter at @paikert.

pleasantly surprised to hear that 23% of CFPs across the industry were women. And I am thrilled to see this problem addressed within our industry.

Yet as much as I truly understand and sympathize with women investment advisors, I also must address and continue to bring light to an even more ridiculously underrepresented segment of advisors in the marketplace: African-American investment advisors. I am saddened that very little mention has been made of our minuscule representation within the industry.

I run a 100% minority-owned RIA in Pennsylvania. I started the firm several years ago with my own financing, and my wife and I manage and operate it.

The firm now has approximately \$50 million in assets under management. While I recognize some people would consider that a boutique-sized firm, our smaller size allows us to participate in several local charities with both our money and our time.

From my own informal personal survey — which comes from my many years of attending investment industry seminars, conferences, associations and webinars — I have found very little diversity in the industry, if any. Over the years, I have been extremely disappointed to see how few advisors who look like me there are attending these functions.

Even though this remains a source of frustration, I remain steadfast in trying to share my own story with young students, in an effort to enable them to see people of all races doing what they are passionate about.

I want to be able to create opportunities for others within the industry, and to spread the understanding that it's imperative to give back to our community.

In a perfect world, advisors would look more like the many different faces they serve on a daily basis. In the meantime, however, I welcome the chance to be a representative of that small segment of advisors that do not quite look like the rest.

Perhaps sharing stories of diverse advisors will give young people examples of careers in our industry — and of successful professionals whom they can emulate.

Marc Turner is founder and managing director of Renaissance Advisory Group in Bryn Mawr, Pa.

NBCI faith Community financial Profile



- No. of NBCI Member Churches 34,000
- No. of NBCI Sister Churches 115,000
- Estimated income of NBCI Non-Mega Church Congregants \$15,000 – \$10 million
- Estimated income per church \$250k – \$100 million
- Estimated income of NBCI churches \$20 - \$45 billion
- No. of Mega-Churches 105
- No. of Small businesses in NBCI member churches 70,000
- Average size of Mega-Churches 8,500 - 20,000 people
- Estimated income of Mega Church Congregants \$40,000 – \$10 million
- Estimated income per church \$6 – \$70 million
- Average size of NBCI Churches 250 people
- Percent of African American Ministers with M. Diva Degrees 6%
- Percent of congregants that Saves 12%
- No. of churches who have credit Union 3500-7500
- No. of churches who have separate Economic Development Corp. 4,675
- No. of Congregants who own their cars 83%
- Percentage of Congregants who are finically secure 35%
- No. of Congregants who own their home 30-52%
- No. of congregants who invest in the stock market 13%
- No. of congregants who have purchased financial products 15%