



Introduction to Financial Planning & Wealth Management Industry and Careers

Course Instructor - Meeyeon



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VP, Financial Planning & Wealth
Management

About Meeyeon...

Prior to joining CFI, Meeyeon lived in Toronto for 10 years where she worked in traditional financial services roles, such as investment banking and portfolio management. Meeyeon was on a mission to find a professional career that felt more tangible, meaningful, and impactful. In her search for 'more', she switched gears from Investment Banking and explored career paths in applied finance within a large global consumer corporation and consulted at an impact venture capital firm before joining the CFI team in Vancouver, BC.

Learning Objectives



Discuss the industry's growth – past, present, and future – and what is in it for you to unlock.



Describe business insights: what the industry is, who its top players are, and how practices are established.



Define and explore the key career paths in the industry from a region-agnostic perspective.



Explain the roles, the skills required, and the compensation structure for each of the three advisor roles discussed.



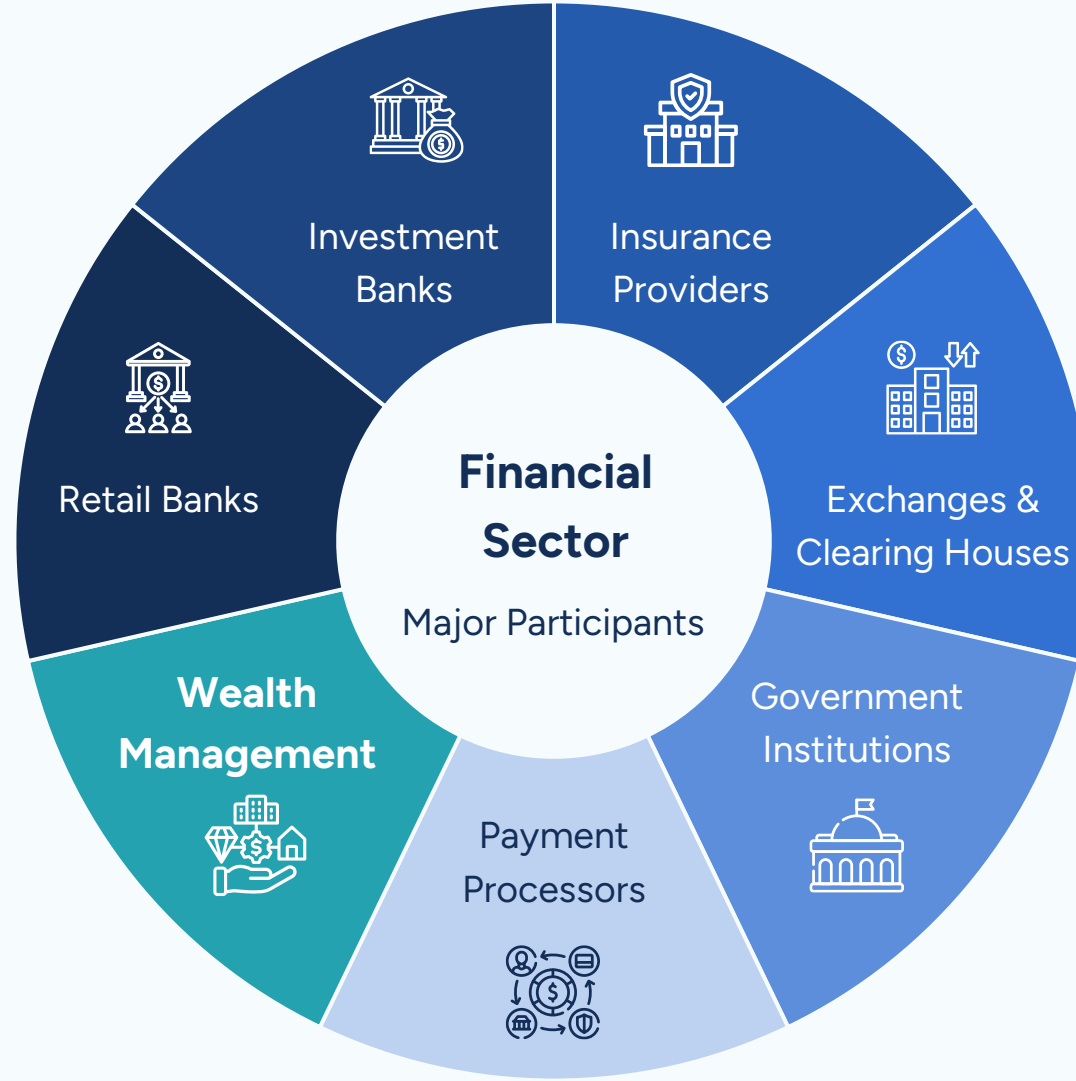
Identify the key job risks and fit that need to be considered across all career paths, highlighting unique concerns.



Illustrate a typical day in the life of an advisor, compare and contrast, where, depending on the type, there may be differences in how time is spent.

Industry Overview

Industry Overview



Industry Overview

Wealth management professionals provide custom-tailored investment advice and financial advisory services to High-Net-Worth and Ultra-High-Net-Worth individuals and families.

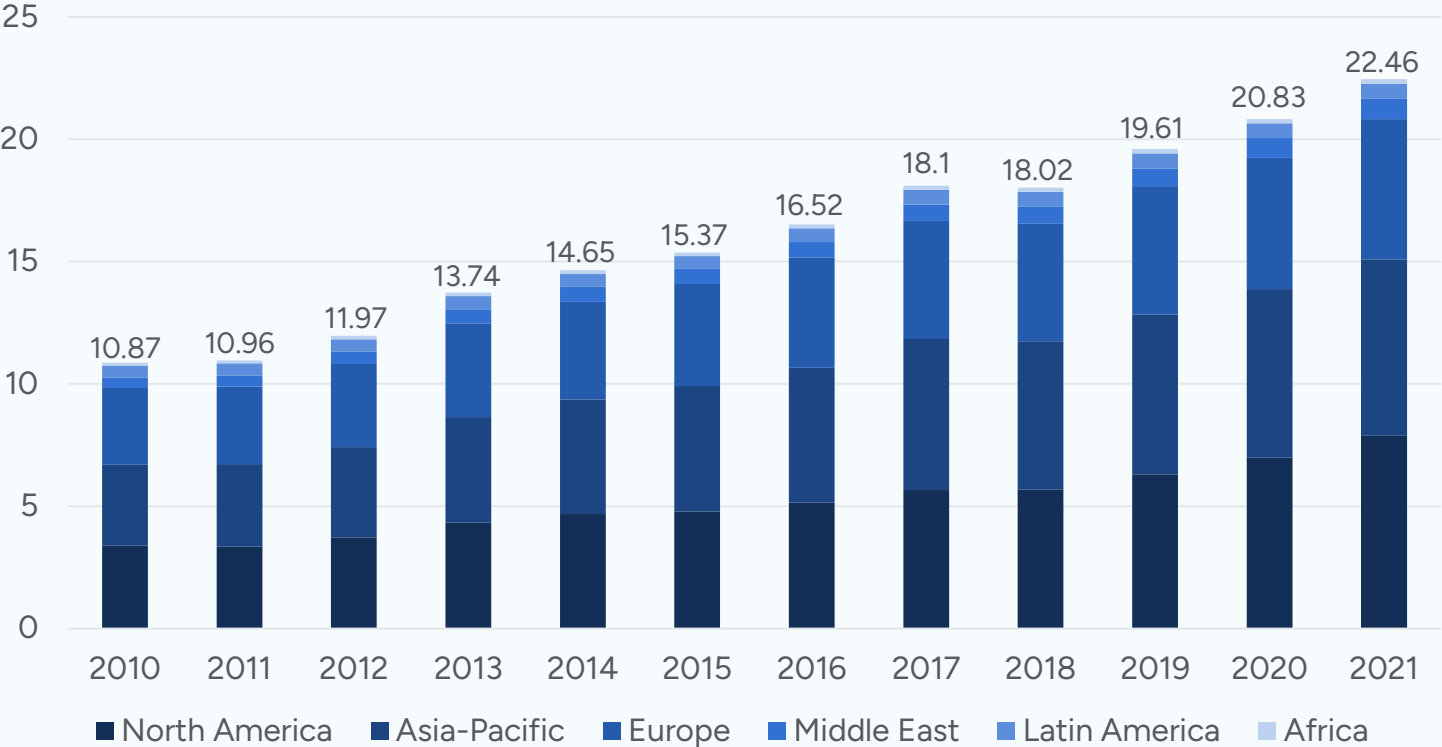


How big is the wealth management industry, where has it been, and where is it going?

Industry Overview: Past, Present, and Future

US Federal Reserve estimated that the US households lost approximately 20% of their wealth between 2007 and 2009.

Number of High Net Worth Individuals (HNWIs) Worldwide
(2010-2021), by region (in millions) ¹



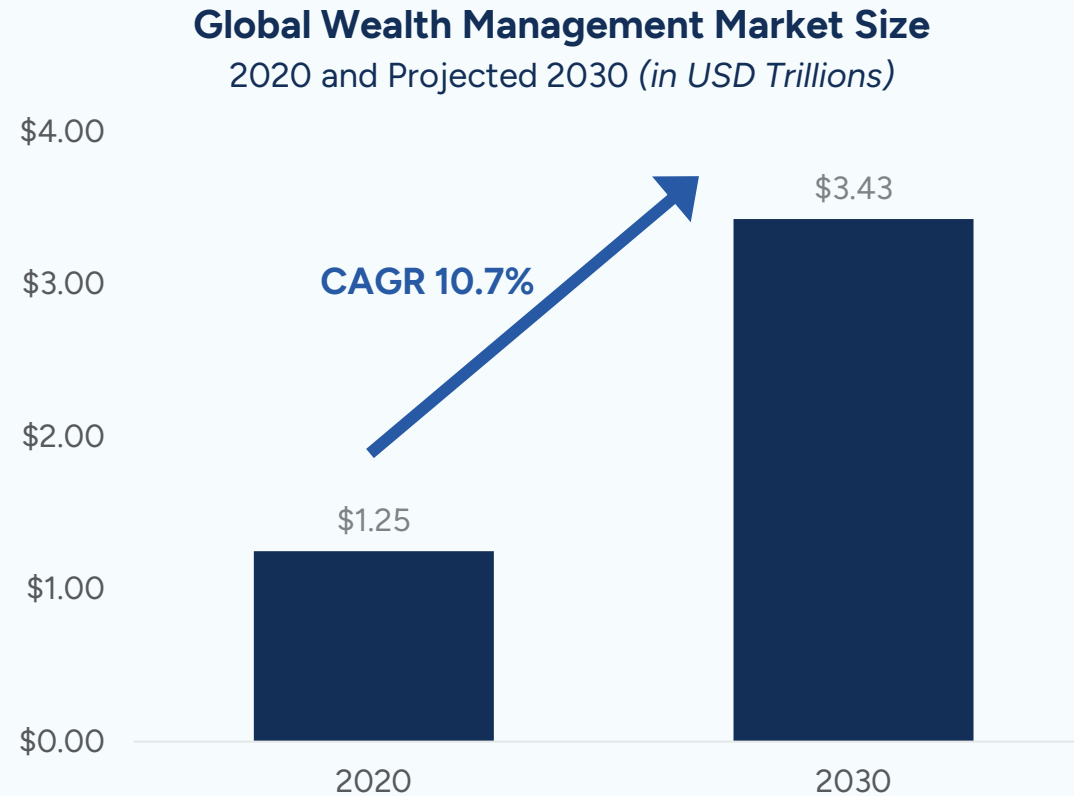
2021 HNWI by Region

- **North America:** 7.9 million
- **Asia Pacific:** 7.2 million
- **Europe:** 5.72 million
- **Middle East:** 0.86 million
- **Latin America:** 0.59 million
- **Africa:** 0.19 million

¹ High Net Worth Individuals (HNWIs) are people with wealth of over US\$ 1 million.

¹Source: [Statista](#) as of Aug 30, 2023

Industry Overview: Past, Present, and Future



Industry Overview: Past, Present, and Future



Global Wealth Management Industry Threats Today



Growing competition from
new entrants



Technological innovation



Established firms expanding
their practices with the aid of
new technology



Low-cost, do-it-yourself
(DIY) software



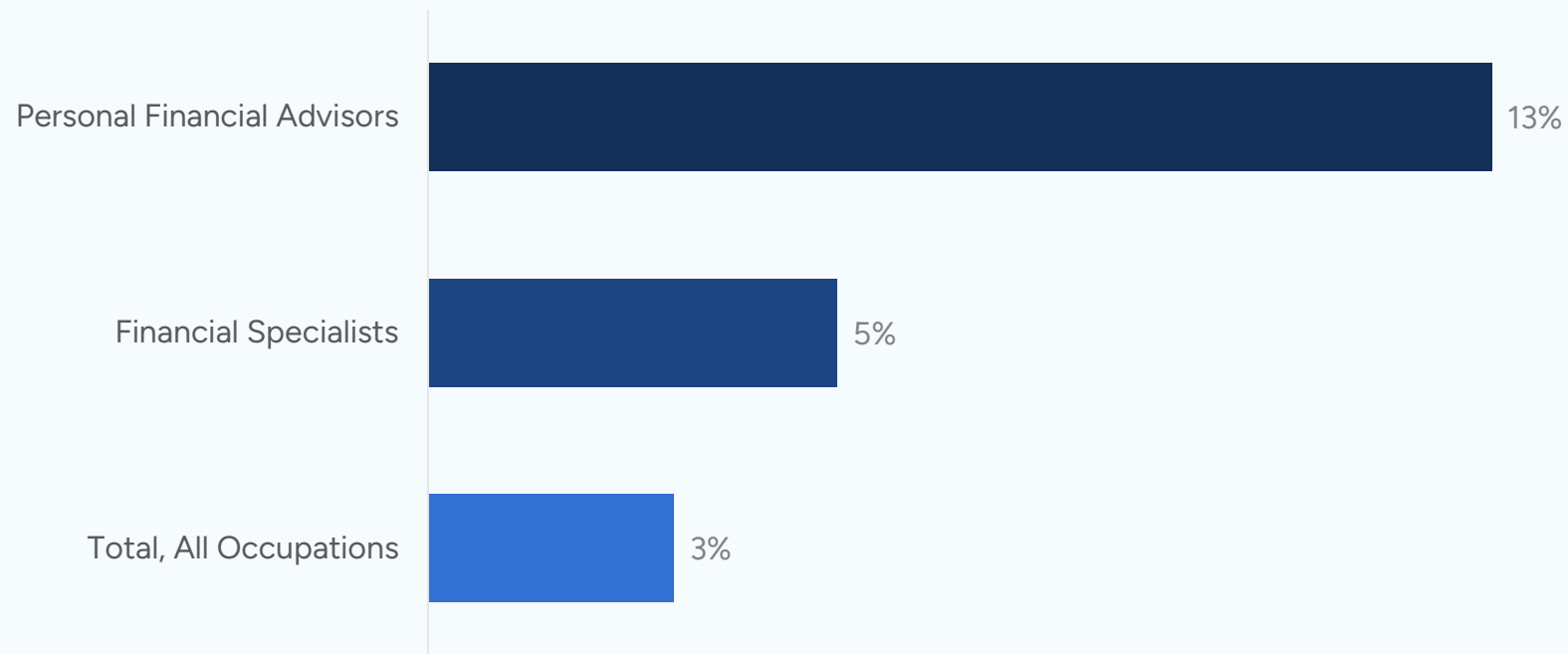
Increased regulation



Talent shortage

Industry Overview: Past, Present, and Future

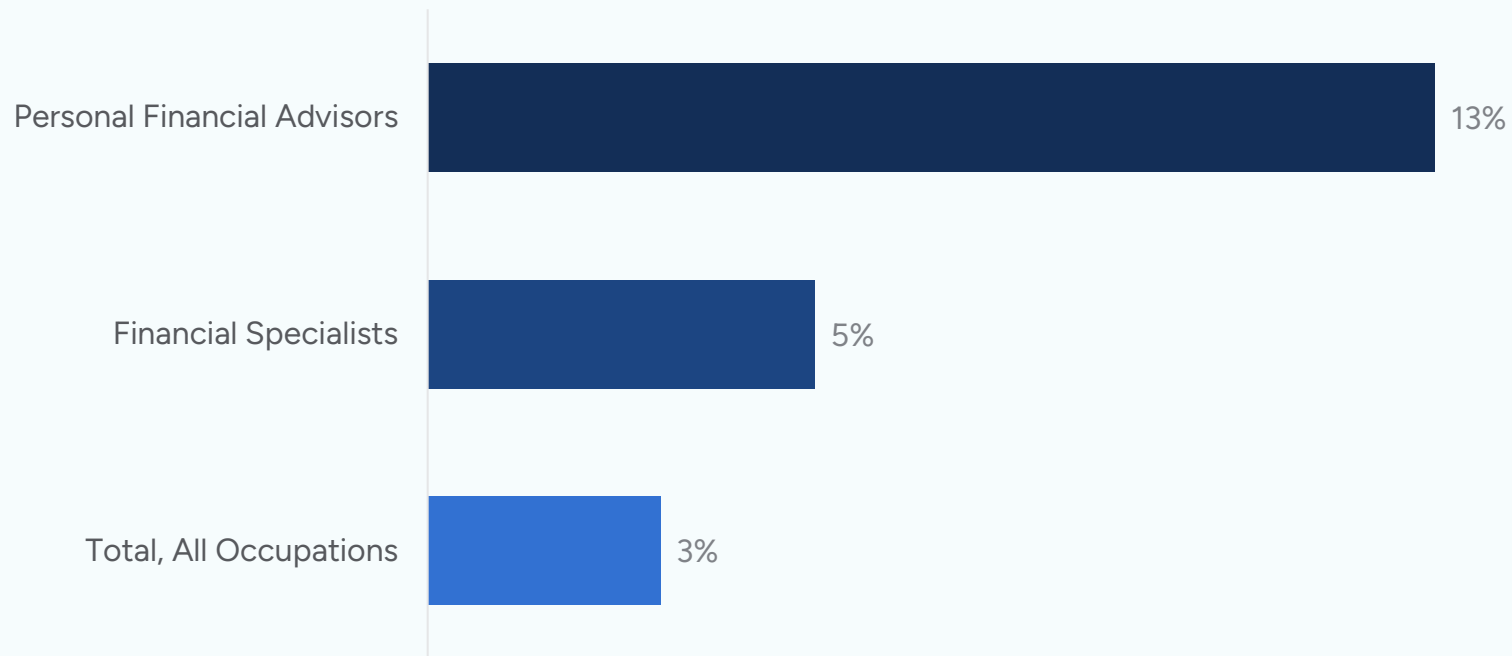
Percent Change in Employment of Personal Financial Advisors Projected 2022-2032



¹ **Source:** [U.S. Bureau of Labor Statistics, Employment Projections program](#) as of Sept 6, 2023

Industry Overview: Past, Present, and Future

Percent Change in Employment of Personal Financial Advisors
Projected 2022-2032



¹ **Source:** [U.S. Bureau of Labor Statistics, Employment Projections program](#) as of Sept 6, 2023



**Why Is There Increased Demand For
Personal Financial Advisors?**

Example:

J.P.Morgan
Asset Management

Industry Overview: Past, Present, and Future



Why Is There Increased Demand For Personal Financial Advisors?

Example:

J.P.Morgan
Asset Management



Scalability

- Has the capacity to grow and meet increased demand with minimal effort
 - Benefits from great economies of scale by spreading production costs across more units
 - Expand operations and reach new markets despite high initial startup costs

Industry Overview: Past, Present, and Future

JP MORGAN CHASE & CO. – BUSINESS SEGMENT RESULTS

Year ended Dec 31, 2016, to Dec 31, 2022 (in millions, except ratios) ¹

	Consumer & Community Banking			Corporate & Investment Bank			Commercial Banking			Asset & Wealth Management		
	Net Revenue	Net Income	Return on Equity ("ROE")	Net Revenue	Net Income	Return on Equity ("ROE")	Net Revenue	Net Income	Return on Equity ("ROE")	Net Revenue	Net Income	Return on Equity ("ROE")
2016	44,915	9,714	18%	35,216	10,815	16%	7,453	2,657	16%	12,045	2,251	24%
2017	46,485	9,395	17%	34,657	10,813	14%	8,605	3,539	17%	13,835	2,337	25%
2018	51,271	14,707	28%	37,382	11,799	16%	9,336	4,264	20%	13,427	2,945	32%
2019	55,133	16,541	31%	39,265	11,954	14%	9,264	3,958	17%	13,591	2,867	26%
2020	51,268	8,217	15%	49,284	17,094	20%	9,313	2,578	11%	14,240	2,992	28%
2021	50,073	20,930	41%	51,749	21,134	25%	10,008	5,246	21%	16,957	4,737	33%
2022	55,017	14,871	29%	47,899	14,970	14%	11,533	4,213	16%	17,748	4,365	25%
Average			26%			17%			17%			28%

¹Source: [JP Morgan Chase & Co. 2022 Annual Report](#)

Why Does It Matter and What Is in It for You

What's In It For You?

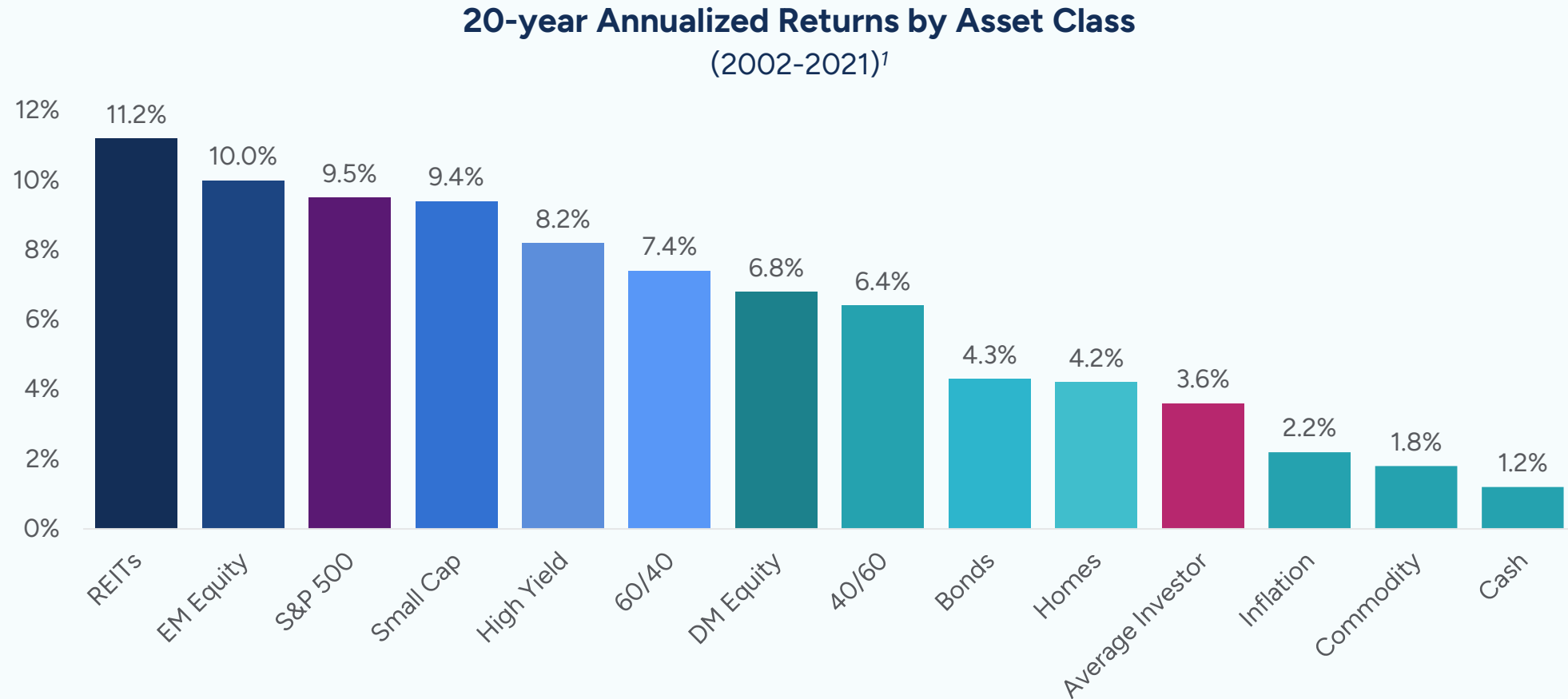


Quantifiable value of
your skillset

Every investor deals with various risk tolerances and constraints.



Why Does It Matter and What Is in It for You



¹Source: J.P. Morgan Asset Management Guide to the Markets
U.S. | 4Q 2022 | As of September 30, 2022

Why Financial Advisors Add Quantifiable Value

What's In It For You?



Quantifiable value of
your skillset



Develop a deep and
narrow expertise

Example:

Software developer expert in one or two
key programming languages



Why Financial Advisors Add Quantifiable Value

What's In It For You?



Quantifiable value of
your skillset



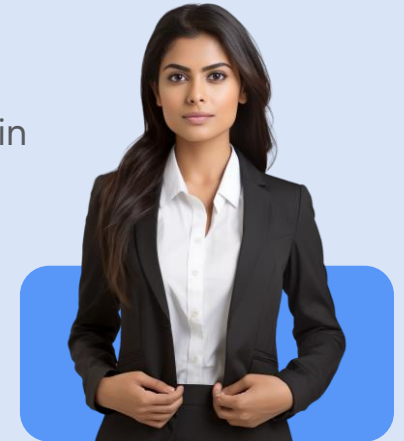
Develop a deep and
narrow expertise

Example:

Software developer expert in one or two
key programming languages



M&A investment banker knowledgeable in
financial advisory for large corporations



Why Financial Advisors Add Quantifiable Value

What's In It For You?



Quantifiable value of
your skillset



Develop a deep and
narrow expertise



Understanding of
emotional decisions



Advice and guidance
from senior advisors



Why Financial Advisors Add Quantifiable Value

What's In It For You?



Quantifiable value of your skillset



Develop a deep and narrow expertise



Understanding of emotional decisions



Advice and guidance from senior advisors



There's a lot of **hard work, research,** and **self-reflection** involved in understanding what is the **most compatible** with your skills, your personality, and your natural preferences.

Business Insights

Wealth Management

Difference with:



Asset Management



Wealth Management

- Explain what wealth management is regarding its advisory services
- Types of clients wealth management is offered to

Wealth Management

Difference with:



Asset Management



Financial Plan



Wealth Management

- Explain what wealth management is regarding its advisory services
- Types of clients wealth management is offered to

- Contrast the services offered between financial planning and wealth management

Wealth Management vs. Asset Management



Asset Management



Wealth Management

A financial institution manages money on behalf of:



Individuals



Institutions



**Sovereign
wealth funds**



**Pensions
funds**



**Insurance
companies**

Wealth Management vs. Asset Management



Asset Management



Wealth Management

A financial institution manages money on behalf of:



Individuals



Institutions



**Sovereign
wealth funds**



**Pensions
funds**



**Insurance
companies**

Wealth Management vs. Asset Management



Asset Management



Wealth Management



Individuals

Asset managers are manufacturers of products intended for many types of clients, including retail clients.



Asset management includes buying shares for retail customers that are **represented by wealth managers.**

Wealth Management vs. Asset Management



Asset Management



Wealth Management



Asset management includes buying shares for retail customers that are **represented by wealth managers.**

Wealth management covers asset management, including a client's **entire financial life**

- Income statement
- Balance sheet
- For individuals for whom a financial institution manages their money



Wealth Management vs. Asset Management



Asset Management



Wealth Management

Wealth advisors help review, assess, and plan for:



**Tax
optimization**



**Estate
planning**



**Succession
planning**



**Personal
trusts**

What Is Wealth Management

Wealth management is a financial advisory service that understands that **substantial personal wealth** demands **customized bespoke strategies** connecting every part of someone's financial life.



Planning



Investing



Banking

What Is Wealth Management

Wealth management is a financial advisory service that understands that **substantial personal wealth** demands **customized bespoke strategies** connecting every part of someone's financial life.



Planning

- Customized analysis of client's unique financial situation
 - Create executable plans to protect, grow, and transfer wealth



Investing



Banking

What Is Wealth Management

Wealth management is a financial advisory service that understands that **substantial personal wealth** demands **customized bespoke strategies** connecting every part of someone's financial life.



Planning



Investing

- Portfolio management
 - Takes goals and identifies gaps and risks involved
 - Create a financial plan and a customized wealth management solution



Banking

What Is Wealth Management

Wealth management is a financial advisory service that understands that **substantial personal wealth** demands **customized bespoke strategies** connecting every part of someone's financial life.



Planning



Investing



Banking

- Dedicated RM providing high-touch white glove services
 - Has intimate knowledge of client's financial situation

What Is Wealth Management

Wealth management is for clients with a substantial and defined minimum amount of investable assets.



What the most successful wealth management firms today have



Best practice

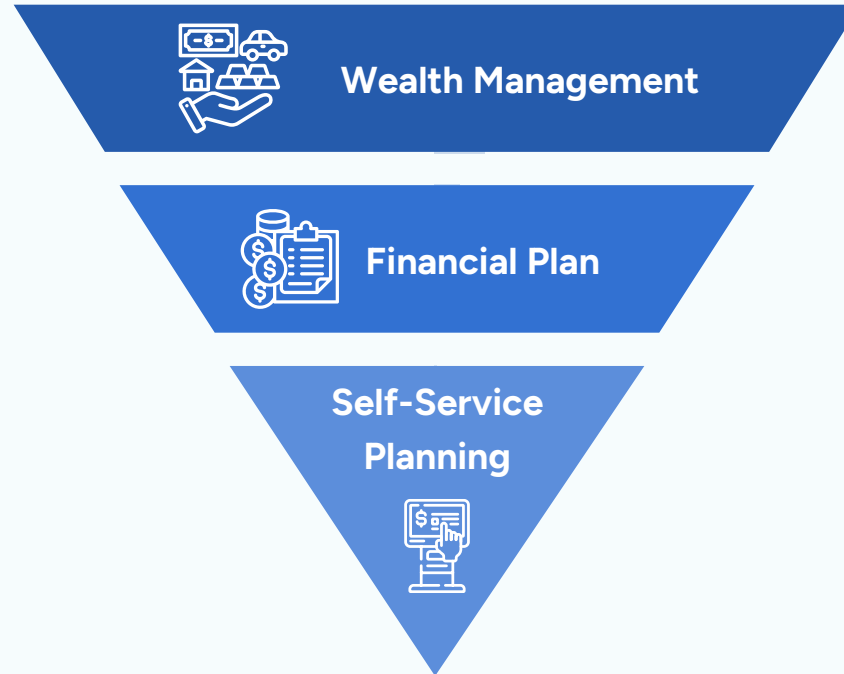


Package services

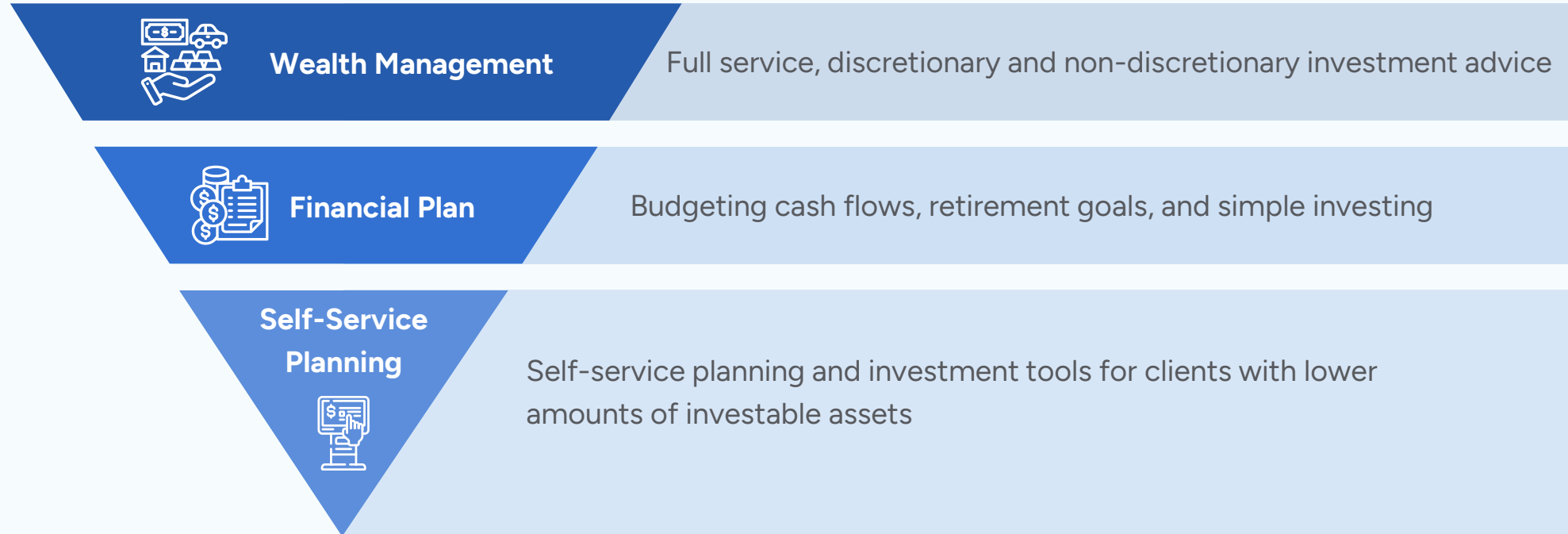


Client identification

What Is Wealth Management



What Is Wealth Management



What Is Wealth Management



Wealth Management

Full service, discretionary and non-discretionary investment advice



Financial Plan

Budgeting cash flows, retirement goals, and simple investing



What is the difference between financial planning and wealth management?

Wealth Management vs. Financial Planning

Asset Management



A financial institution manages money on behalf of:

- Individuals
- Institutions
- Sovereign wealth funds
- Pension funds
- Insurance companies

Wealth Management



- Covers asset management, including a client's **entire financial life**
 - Income statement
 - Balance sheet

Wealth Management vs. Financial Planning

Financial Plan



- Offered at a large bank or independent practice
- FPs have a low relative investment minimum
 - In North America: \$100,000 minimum
 - Custom financial plan
 - More licensing, education, and experience required

Wealth Management



- Covers asset management, including a client's **entire financial life**
 - Income statement
 - Balance sheet

The difference overall is not black and white, and **the services and terms can be used differently**, depending on what the firm offers and the country that you live in.

Wealth Management vs. Financial Planning

Financial planning and wealth management share similarities:



Services



Education type



Skill sets



Discipline

Financial Plan

Wealth Management

Difference in types of clients



Wealth Management vs. Financial Planning

Financial planning and wealth management share similarities:



Services



Education type



Skill sets



Discipline

Financial Plan

- Middle-class primarily in need of professional advice related to budgeting and cash flow
 - Typically, less custom product than wealth management
- Has lower threshold of investable assets



Wealth Management vs. Financial Planning

Financial planning and wealth management share similarities:



Services



Education type



Skill sets



Discipline

Financial Plan

- Financial planners may start scaling back on volume but set their own investable asset minimum

"For my personal book of clients, it's going to be \$500,000."



Wealth Management vs. Financial Planning

Financial planning and wealth management share similarities:



Services



Education type



Skill sets



Discipline

Wealth Management

- Is everything that financial planning is and more
- Set up to service clients that have a significant amount of assets at the time of onboarding
 - Clients are commonly referred to as ultra-high-net-worth clients, high-net-worth clients



Successful Entrepreneur



Senior Executive

Wealth Management vs. Financial Planning

Financial planning and wealth management share similarities:



Services



Education type



Skill sets



Discipline

Wealth Management

- Is everything that financial planning is and more
- Set up to service clients that have a significant amount of assets at the time of onboarding
- Services are more custom and often bespoke



Wealth Management vs. Financial Planning

Financial planning and wealth management share similarities:



Services



Education type



Skill sets



Discipline

Wealth Management



- Wealth advisors can offer a larger breadth of investment products



Wealth Management vs. Financial Planning

Financial planning and wealth management share similarities:



Services



Education type



Skill sets



Discipline

Financial Plan

- Focuses on short-term goals, e.g., saving for retirement

Wealth Management

- Focuses on preserving and growing wealth over time

Both financial advisory services



Structure in Wealth Management Firms



Firm Structure



**Client
Segmentation**

Structure in Wealth Management Firms



Firm Structure



**Client
Segmentation**

Key ways wealth management businesses establish:



**Line of business within
a large bank**



**Companies dedicated
to wealth management**



**Independent
practice**



Each offers their advisors very different environments.

Structure in Wealth Management Firms



Firm Structure



**Client
Segmentation**



Each offers their advisors very different environments.



**Performance
evaluation**



**Training and
support**



**Compensation
rewards**

Client Segmentation in Wealth Management



Firm Structure



Client
Segmentation

Client Segment	Investable Assets (USD)
Mega-High-Net-Worth	+\$250 million
Ultra-High-Net-Worth	\$30 to 250 million
High-Net-Worth	\$5 to 30 million
Super Affluent	\$1 to 5 million
Mass Affluent	\$100,000 to 1 million
Retail	<\$100,000

Why does this segmentation exist?

Client Segmentation in Wealth Management



Firm Structure



**Client
Segmentation**

Certain types of investments and services can only be offered to clients with a certain amount of investable assets.



**Investable
assets**



Net worth

Client Segmentation in Wealth Management



Firm Structure



Client
Segmentation

Certain types of investments and services can only be offered to clients with a certain amount of investable assets.



Net worth

- A person's total assets less their total liabilities



Assets: primary residence, home vehicles, cash



Liabilities: mortgages, car loans, credit card debts

Client Segmentation in Wealth Management



Firm Structure



Client
Segmentation

Certain types of investments and services can only be offered to clients with a certain amount of investable assets.



Investable
assets

- Only certain assets and liabilities may be included



Assets that are liquid or convertible to cash



Investment properties that generate income



Liabilities associated with investable assets

Career Paths

Career Paths in Wealth Management and Financial Planning



Role/Career Path



Skills



**Compensation
Structure**

Career Paths in Wealth Management and Financial Planning



Role/Career Path

- Tasks of a career in financial planning or wealth management
- A closer look at select global job postings
 - How titles and conventions differ based on geography and firm but are the same job



Skills



Compensation Structure

Career Paths in Wealth Management and Financial Planning



Role/Career Path



Skills

- Similarities across the board to run a successful practice
 - Services offered
 - Types of education
 - Skill set and discipline
- Specific career paths require certain skills and traits



**Compensation
Structure**

Career Paths in Wealth Management and Financial Planning



Role/Career Path



Skills



**Compensation
Structure**

- Depends on the region and the firm
- Common prevailing compensation structure at an industry level

Career Path 1 – Financial Planner

Role/Career Path



Financial Planner
(FPs)



Skills



Compensation Structure



Corporate Finance Institute®



Where you work

- Either for a financial institution or as an entrepreneur



What you do

- Networks, prospects, and works to convert leads into clients
 - Develop an understanding of:
 - Client's financial and lifestyle goals
 - How the budget should look
 - The amount that should be saved and invested

Career Path 1 – Financial Planner

Role/Career Path



Financial Planner
(FPs)



Skills



Compensation Structure



Corporate Finance Institute®



Where you work

- Either for a financial institution or as an entrepreneur



What you do

- Networks, prospects, and works to convert leads into clients
- Investment management
 - Budget and cash flow components
 - Assess and document the client's risk tolerance and investment objectives
 - Recommend an investment strategy to meet investment objectives and goals

Recommendations for portfolio allocations vary depending on the advisor and the firm.

Career Path 1 – Financial Planner

Role/Career Path



Financial Planner
(FPs)



Skills



Compensation Structure



Corporate Finance Institute®



Where you work

- Either for a financial institution or as an entrepreneur



What you do

- Networks, prospects, and works to convert leads into clients
- Investment management



What you offer

- Use products known as Managed Solutions, such as:
 - Mutual Funds
 - Exchange-traded funds (ETFs)
 - Separately managed accounts (SMAs)

Finance Professionals Skill Set

Skills



Career Path 1 – Financial Planner

Role/Career Path



Skills



Financial Planner
(FPs)



Compensation Structure



Corporate Finance Institute®



Career Path 1 – Financial Planner

Role/Career Path



Skills



Financial Planner
(FPs)



Excellent
communication skills,
both written and verbal

Compensation Structure

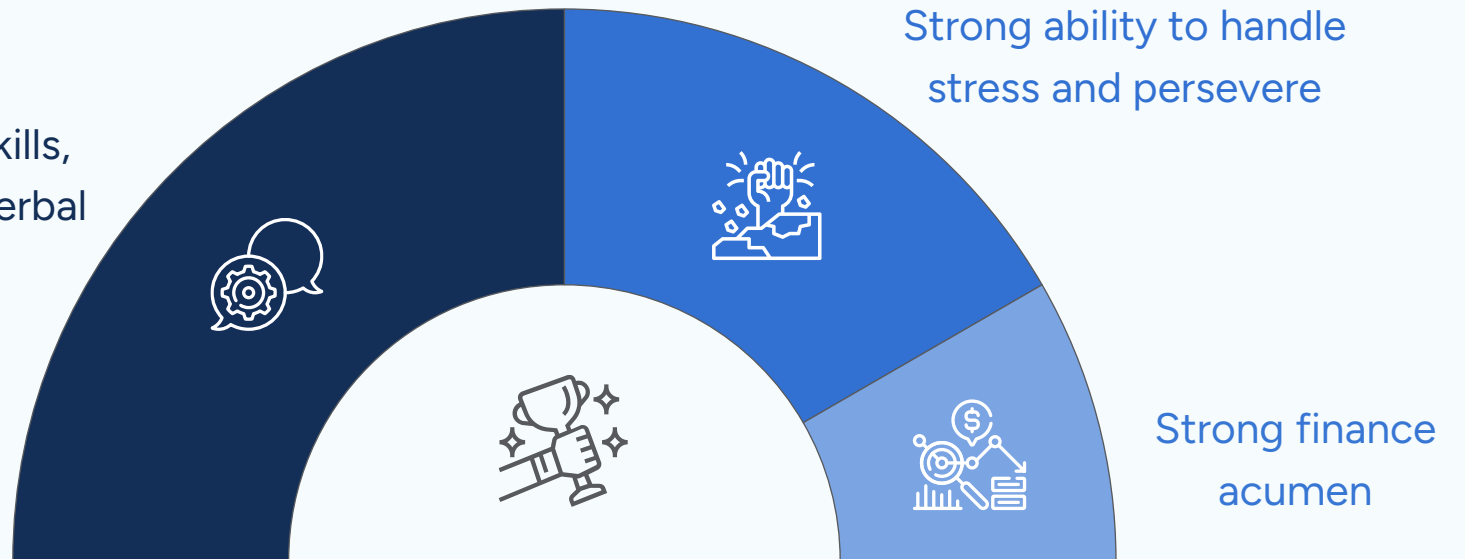


Corporate Finance Institute®



What you need to succeed

Top three skills that successful financial planners excel in:



Career Path 1 – Financial Planner

Role/Career Path



Skills



Compensation Structure



Financial Planner
(FPs)



Corporate Finance Institute®



How you earn

- Client fees for investment management

Account Fees (% AUM)



Client's asset: \$200,000

Fees: 1.25%

Total Annual Account Fee: \$2,500



Firm receives: 60% or \$1,500

Advisor receives: 40% or \$1,000

- Pro-rated daily and charged monthly or quarterly
- Split between the advisor and the firm based on a **predetermined ratio**

Career Path 1 – Financial Planner

Role/Career Path



Skills



Compensation Structure



Financial Planner
(FPs)



How you earn

- Client fees for investment management

Account Fees (% AUM)

- Pro-rated daily and charged monthly or quarterly
- Split between the advisor and the firm based on a **predetermined ratio**

Management Fees

- Fees associated with the managed products in AUM

Example: Client portfolio contains 2 ETFs



ETF 1 Fee: 0.2%

ETF 2 Fee: 0.3%

Average Fee: 0.25%



Account Fee: 1.25% or \$2,500

Managed Product: 0.25% or \$500

Total Cost: 1.5% or \$3,000/year

Career Path 1 – Financial Planner

Role/Career Path



Skills



Compensation Structure



Financial Planner
(FPs)



How you earn

- Client fees for investment management
 - Account Fees (% AUM)
 - Management Fees
- Earn fees for **successful referrals** to other specialists

Example: Client requires a life insurance policy



FP refers an
insurance advisor



Eligible for a
commission
payment



Receives base salary in
addition to a portion of
the fee revenue

...



The threshold for
incremental fee
revenue is implemented

Firms ensure quality standards of service by structuring compensation to have advisors focus more on check-ins and reviews with existing clients

Career Paths in Wealth Management

Wealth Management firms are set up to service people with **very large amounts of assets** at the time of onboarding.

Different types of WM advisors focus on the same types of clients but can differ in professional designation, tenor, and the type of investment management provided.

Investment Advisors
(IAs)



Portfolio Manager
(PMs)



Career Path 2 – Investment Advisor

Role/Career Path



Investment Advisors (IAs)



Skills



Where you work

- Wealth management firm



What you offer

- More options for managed solutions than offered by Financial Planners
 - In addition to mutual funds, ETFs, and SMAs, IAs can:
 - Purchase individual fixed-income securities
 - Run sophisticated derivative strategies
 - Buy hedge funds, private equities, and more

Career Path 2 – Investment Advisor

Role/Career Path



Investment Advisors (IAs)



Skills



What you offer

- More options for managed solutions than offered by Financial Planners
- Provide access to primary market new issues of fixed income and equities



What to look out for

- Be aware of portfolio risks or gaps in financial plans for high-net-worth clients
 - Difficult to cover with standard managed solutions

Example:

High risk in real estate investments that require hedging; properties located around the world add exposure.



Career Path 2 – Investment Advisor

Role/Career Path



Investment Advisors (IAs)



Skills



What you offer

- More options for managed solutions than offered by Financial Planners
- Provide access to primary market new issues of fixed income and equities



What to look out for

- Be aware of portfolio risks or gaps in financial plans for high-net-worth clients
 - Difficult to cover with standard managed solutions

Example:

Retired from a large public trading company and has accumulated millions in shares but is reluctant to sell.



Career Path 2 – Investment Advisor

Role/Career Path



Investment Advisors (IAs)



Skills



What you offer

- More options for managed solutions than offered by Financial Planners
- Provide access to primary market new issues of fixed income and equities



What to look out for

- Be aware of portfolio risks or gaps in financial plans for high-net-worth clients
 - Difficult to cover with standard managed solutions

Example:

Tech entrepreneur recently sold the business and now requires advice on managing multiple holding companies.



Career Path 2 – Investment Advisor

Role/Career Path



Investment Advisors (IAs)



Skills



What you offer

- More options for managed solutions than offered by Financial Planners
- Provide access to primary market new issues of fixed income and equities



What to look out for

- Be aware of portfolio risks or gaps in financial plans for high-net-worth clients
 - Difficult to cover with standard managed solutions

For IAs, chances are no two clients are the same.

Career Path 2 – Investment Advisor

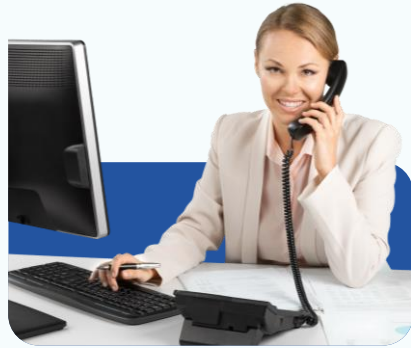
Role/Career Path



Advisors at wealth management firms also have access to a wide range of specialists with skills and solutions that meet clients' needs.



**Standard Tax and
Insurance Groups**



**Private
Banking**



**Estate
Planning**



**Succession
Planning**



**Professional
Trusts**

Career Path 2 – Investment Advisor

Role/Career Path



Advisors at wealth management firms also have access to a wide range of specialists with skills and solutions that meet clients' needs.



**Private
Banking**

Clients can be assigned a dedicated personal banker for their retail banking services.



**Standard Tax and
Insurance Groups**



**Estate
Planning**



**Succession
Planning**



**Professional
Trusts**

Career Path 2 – Investment Advisor

Role/Career Path



Advisors at wealth management firms also have access to a wide range of specialists with skills and solutions that meet clients' needs.



**Estate
Planning**

Provide professional help structuring client's will and ensuring their estate is settled.



**Standard Tax and
Insurance Groups**



**Private
Banking**



**Succession
Planning**



**Professional
Trusts**

Career Path 2 – Investment Advisor

Role/Career Path



Advisors at wealth management firms also have access to a wide range of specialists with skills and solutions that meet clients' needs.

Help clients ensure actionable business continuity is in place.



Standard Tax and Insurance Groups



Private Banking



Estate Planning



Succession Planning



Professional Trusts

Career Path 2 – Investment Advisor

Role/Career Path



Advisors at wealth management firms also have access to a wide range of specialists with skills and solutions that meet clients' needs.

From general or family trusts to professional trusts and hire the firm as trustee while the client is going through litigation.



Standard Tax and Insurance Groups



Private Banking



Estate Planning



Succession Planning



Professional Trusts

Career Path 2 – Investment Advisor

Role/Career Path



Advisors at wealth management firms also have access to a wide range of specialists with skills and solutions that meet clients' needs.



**Standard Tax and
Insurance Groups**



**Private
Banking**



**Estate
Planning**



**Succession
Planning**



**Professional
Trusts**

These services are invaluable complements to the financial planning and investment advice that clients will receive from their Wealth Management advisor.

Finance Professionals Skill Set

Skills



Career Path 2 – Investment Advisor

Role/Career Path



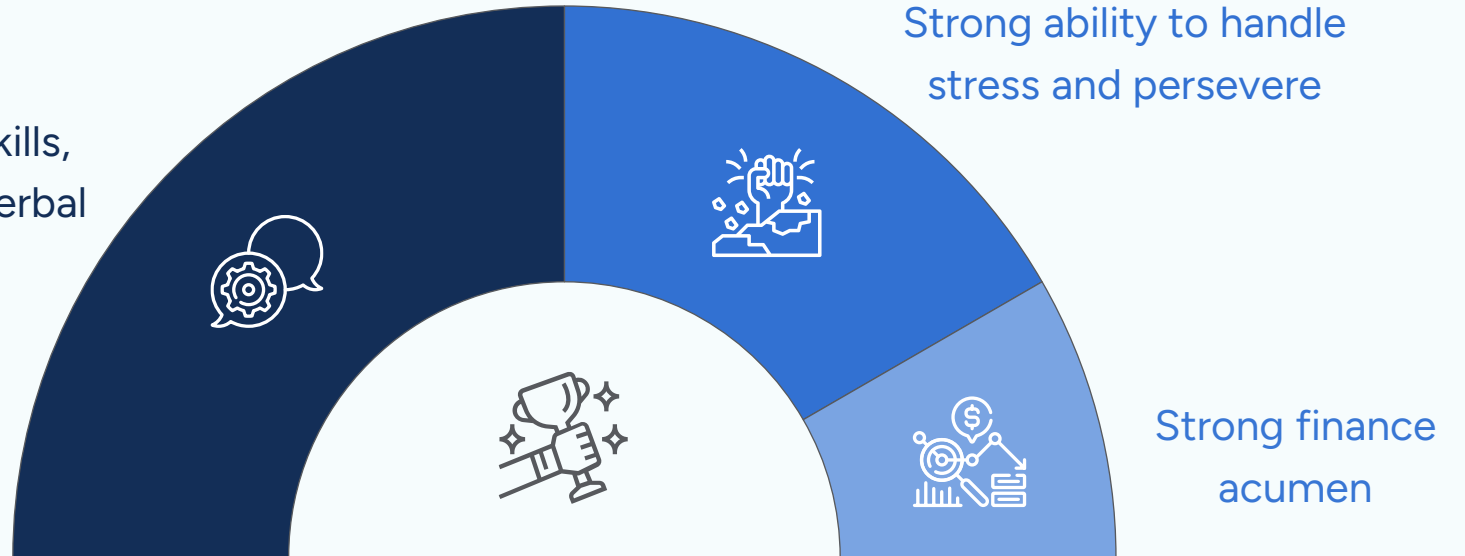
Skills



Investment Advisors
(IAs)



Excellent
communication skills,
both written and verbal



Career Path 2 – Investment Advisor

Role/Career Path



Skills



**Investment Advisors
(IAs)**



Excellent
communication skills,
both written and verbal



What you need to succeed

Top three skills that successful investment advisors excel in:

Strong ability to handle
stress and persevere



Strong finance
acumen



Career Path 3 – Portfolio Manager

Role/Career Path



Portfolio Manager (PMs)



Skills



Where you work

- Wealth management firm



What you possess

- A license must be obtained to become a Portfolio Manager (PM)
 - Criteria for a license can differ between jurisdictions and firms
 - Built up a certain number of years in tenure
 - Have reached or exceeded a specific AUM target
 - Met the educational threshold
 - No blemishes on professional record

Career Path 3 – Portfolio Manager

Role/Career Path



Must contact their client and **obtain a client agreement** before trade execution

Investment Advisors (IAs)



Skills



Portfolio Manager (PMs)



Discretionary relationship with their clients

- Does not require pre-trade approval
- Can run a successful practice without client holdings and requests

This makes a running PM practice **efficient and desirable** to most advisors in the field.

Career Path 3 – Portfolio Manager

Role/Career Path



Portfolio Manager (PMs)



Skills



What you offer

- **Establish discretion** by taking additional steps during onboarding



PMs and clients must agree on and sign an Investment Policy Statement (IPS)

- An IPS will include:
 - Client account list under management
 - Target asset weights for portfolio
 - Strategic limits on each asset class the PM can use
 - Information and guidelines based on market conditions

Career Path 3 – Portfolio Manager

Role/Career Path



Portfolio Manager
(PMs)



Skills



What you offer

- **Establish discretion** by taking additional steps during onboarding
- PMs and clients must agree on and sign an **Investment Policy Statement (IPS)**



**Concentrated
Position Limits**



**High-Risk
Position Limits**



**Company / Sector
Limit**

Career Path 3 – Portfolio Manager

Role/Career Path



Portfolio Manager (PMs)



Skills



What you offer

- **Establish discretion** by taking additional steps during onboarding
- PMs and clients must agree on and sign an **Investment Policy Statement (IPS)**



Concentrated Position Limits

No position should
be more than 10%
of the portfolio



High-Risk Position Limits



Company / Sector Limit

Career Path 3 – Portfolio Manager

Role/Career Path



Portfolio Manager (PMs)



Skills



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High-Risk Position Limits

- Penny Stocks
- Derivatives
- Hedge Funds



Company / Sector Limit

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Skills



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High-Risk Position Limits

- Penny Stocks
- Derivatives
- Hedge Funds



Company / Sector Limit

- Tobacco
- Gambling
- Oil companies

Career Path 3 – Portfolio Manager

Role/Career Path



Must contact their client and **obtain a client agreement** before trade execution

Investment Advisors (IAs)



Skills



Portfolio Manager (PMs)



Discretionary relationship with their clients



Become a **fiduciary** of the client

- Legally obligated to act solely in the client's best interest
- Ensure no conflict of interest

Finance Professionals Skill Set

Skills



Career Path 3 – Portfolio Manager

Role/Career Path



Skills



Portfolio Manager
(PMs)



Career Path 3 – Portfolio Manager

Role/Career Path



Skills



Portfolio Manager
(PMs)



Career Path 3 – Portfolio Manager

Role/Career Path



Skills



**Portfolio Manager
(PMs)**

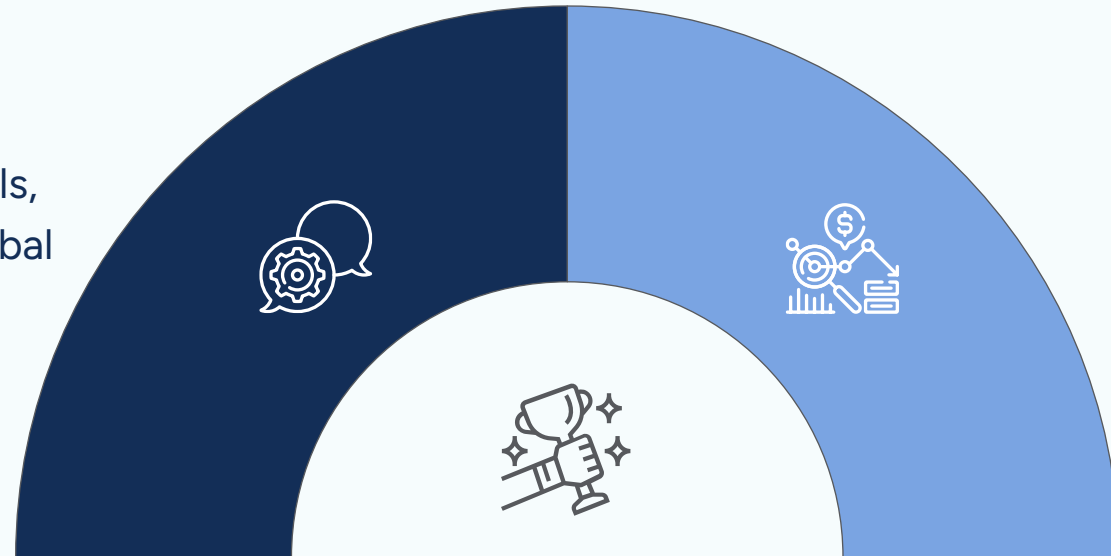


Excellent
communication skills,
both written and verbal



What you need to succeed

Top skills that successful portfolio managers excel in:



Strong finance
acumen

Compensation for Wealth Management Professionals

Compensation Structure



Investment Advisors (IAs)



How you earn

- Account setup and compensation differ for wealth management firms

Commission-Based

Fee-Based

Compensation for Wealth Management Professionals

Compensation Structure



Investment Advisors (IAs)



How you earn

- Account setup and compensation differ for wealth management firms

Commission-Based



- Clients are charged a commission per trade
 - Fixed income and foreign exchange trade commissions are called **spread**
 - Mutual funds pay a **'trailer'** – a monthly commission fee directly to the advisor

Compensation for Wealth Management Professionals

Compensation Structure



Investment Advisors (IAs)



How you earn

- Account setup and compensation differ for wealth management firms

Commission-Based



- Clients are charged a commission per trade

Example: Client has a large concentrated position in a blue-chip stock



No intentions to
sell



Receive dividends
in perpetuity



Better off with a
commission-based
account

Compensation for Wealth Management Professionals

Compensation Structure



Investment Advisors (IAs)



How you earn

- Account setup and compensation differ for wealth management firms

Commission-Based



- Clients are charged a commission per trade

Example: Client has mostly FI portfolios and individual bonds



Low volume of
trading



Trade less than
once a year



More economical on a
commission-based
account

Compensation for Wealth Management Professionals

Compensation Structure



Investment Advisors (IAs)



How you earn

- Account setup and compensation differ for wealth management firms

Fee-Based



- Fees are based on the total size of client's portfolio
 - Aligns incentives between client and advisor
 - Advisors are not incentivized to trade more to earn commissions

Compensation for Wealth Management Professionals

Compensation Structure



Investment Advisors (IAs)



How you earn

- Account setup and compensation differ for wealth management firms

Fee-Based



- Fees are based on the total size of client's portfolio



Advisors have an
incentive to help clients
grow their money



Advisors are
rewarded when
clients make money



Build a foundation for
a long-term, mutually
beneficial relationship

Compensation for Wealth Management Professionals

Compensation Structure



Investment Advisors (IAs)



How you earn

- Account setup and compensation differ for wealth management firms
 - Commission-based
 - Fee-based
- Wealth management firm's salaries tend to be more 'sink' or 'swim'



Probation Period

Advisors are provided an annual salary for the first 1-2 years



Completing Probation Period

Advisor's salary is removed and switched to a commission-based compensation structure

Year 1

Year 2

Year 3

Year 4 onwards

Compensation for Wealth Management Professionals

Compensation Structure



Investment Advisors (IAs)



How you earn

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Compensation for Wealth Management Professionals

Compensation Structure

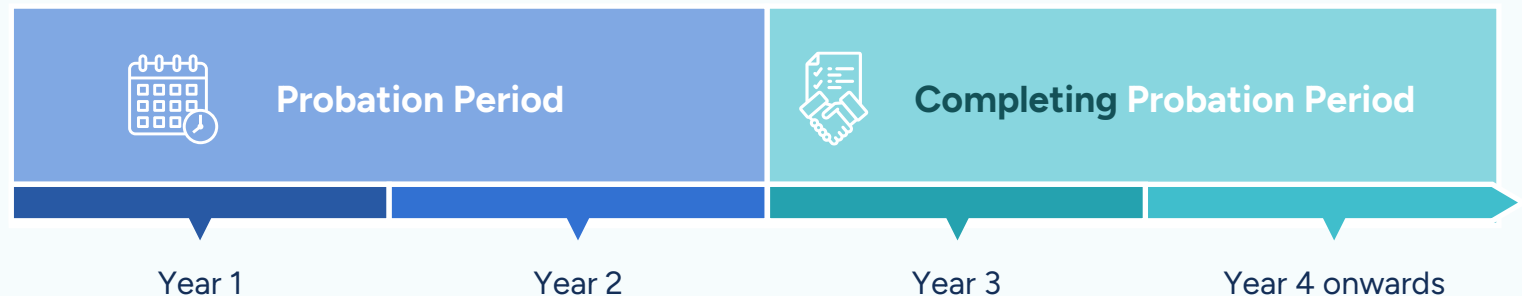


Investment Advisors (IAs)



How you earn

- Account setup and compensation differ for wealth management firms
 - Commission-based
 - Fee-based
- Wealth management firm's salaries tend to be more 'sink' or 'swim'
- No capping on the potential upside earnings
- Fee revenue is split between the firm and the advisor as the advisor moves up in the 'grid'



Compensation for Wealth Management Professionals

Compensation Structure

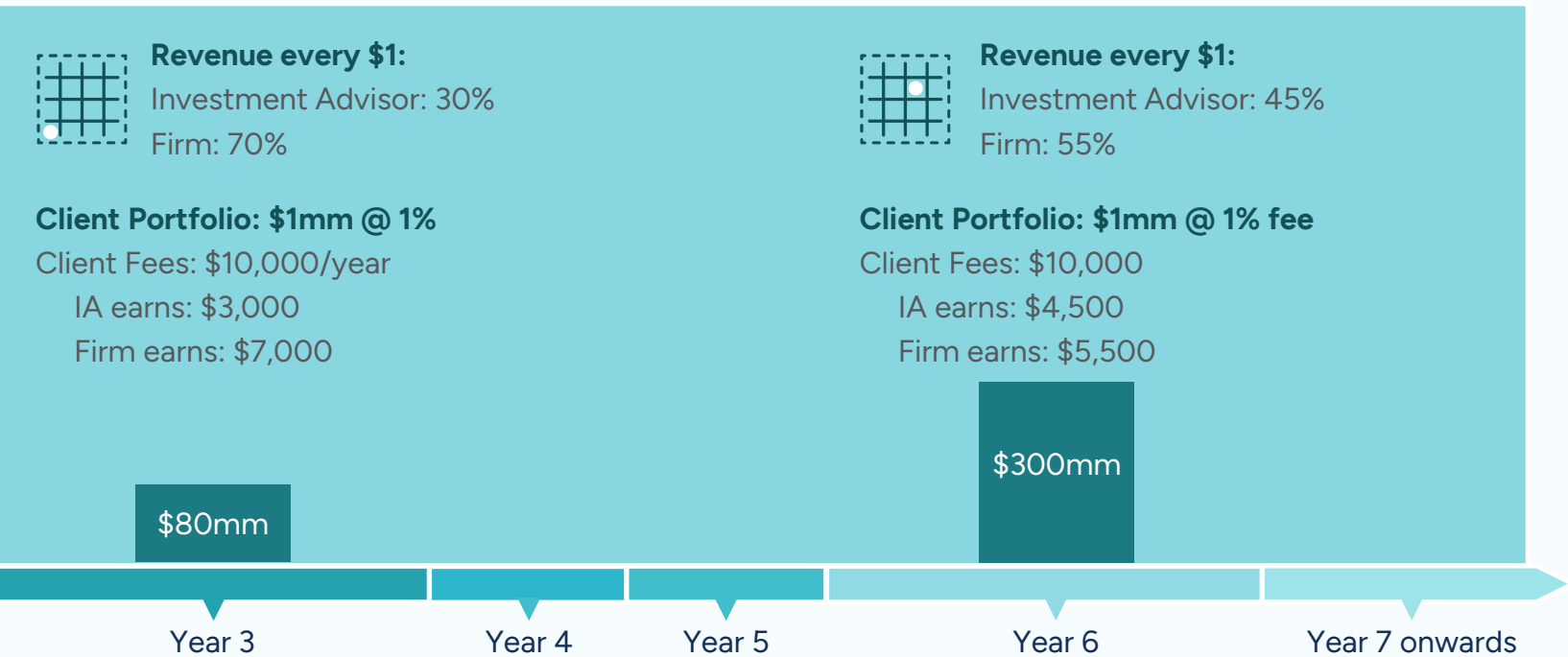


Investment Advisors (IAs)



How you earn

- Fee revenue is split between the firm and the advisor as the advisor moves up in the 'grid'



Considerations for Career Paths

Job Risks and Fit

1

Legal Risk



2

Job Fit



3

Job Availability
and Scarcity



4

Personal Risk



Job Risks and Fit



Remember the **legal risks** involved, as clients can and do sue their advisors.



Clients seek advisors who
have not been sued



A Portfolio Manager (PM) license
introduces personal risk
because an IPS is legally binding



The decision to apply for a PM
license must be **carefully considered**
and **not considered just for the title**

Job Risks and Fit



What job role is the **best fit** for you?

Financial Planner
(FPs)



Investment Advisors
(IAs)



Portfolio Manager
(PMs)



Job Risks and Fit



What job role is the **best fit** for you?



Becoming a Financial Planner is the **lowest-risk option**:

- Provided a base salary
- No probation period or cutoff
- Not required to generate consistent revenue

Financial Planner
(FPs)



Investment Advisors
(IAs)



Portfolio Manager
(PMs)



Job Risks and Fit



1. Legal Risk



2. Job Fit



3. Job Availability and Scarcity



4. Personal Risk

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Financial Planner
(FPs)



Investment Advisors
(IAs)



Portfolio Manager
(PMs)



The target client segment and building a client book:

- Low client prospects
- Creates problems for junior advisors building their book

Job Risks and Fit



What about **job opportunities**?



There is a much larger need for Financial Planners (FPs)

- Hiring process is less competitive
- Firms accept lack of experience

Financial Planner
(FPs)



Investment Advisors
(IAs)



Portfolio Manager
(PMs)



Industry is rapidly growing across the globe

- Large need for WMs due to the client base
- No issues in hiring a qualified candidate

Job Risks and Fit



What are the levels of **personal risk** involved?



Can be sued for outcomes resulting in heavy client losses

- May also be sued for misleading their clients and taking inappropriate risks

Financial Planner
(FPs)



Investment Advisors
(IAs)



Portfolio Manager
(PMs)



Can recommend both individual securities & managed solutions

- Higher probability that recommendations are incorrect

Job Risks and Fit



1. Legal Risk



2. Job Fit



3. Job Availability and Scarcity



4. Personal Risk

What are the **overall pros and cons?**



Role available to “own” and “sell”
their book for retirement

Financial Planner
(FPs)



Investment Advisors
(IAs)



Portfolio Manager
(PMs)



WM Advisors' earnings potential
is much higher

- Earnings are also uncapped

Job Risks and Fit



1. Legal Risk



2. Job Fit



3. Job Availability and Scarcity



4. Personal Risk

What are the **overall pros and cons?**

Financial Planner
(FPs)



Investment Advisors
(IAs)



Portfolio Manager
(PMs)



Ensure to weigh out pros and cons of each route

Similarities Among All Career Paths

Financial Planner
(FPs)



Investment Advisors
(IAs)



Portfolio Manager
(PMs)



Similarities Among All Career Paths

Financial Planner
(FPs)



Financial Plan

- ✓ Client background
- ✓ Portfolio complexity
- ✓ Understand goals
- ✓ Create the plan

Investment Advisors
(IAs)



Portfolio Manager
(PMs)



Similarities Among All Career Paths

Financial Planner
(FPs)



Investment Advisors
(IAs)



Portfolio Manager
(PMs)



Financial Planning Process

Financial Planning Has Changed Shape... A Lot



Financial Planning Process

As the industry grows, so do the methodologies used to create financial plans.

Goals-Based Investment Approach



Financial Planning Has Changed Shape... A Lot



Financial Planning Process

As the industry grows, so do the methodologies used to create financial plans.

Goals-Based Investment Approach



Broadens focus to
consider all aspects of
the client's financial life

Includes planning to fund pre- or post-retirement expenses



Major
purchase



Child's
education



House
renovation



Starting
business



Emergency
fund



Lavish
vacation

Financial Planning Has Changed Shape... A Lot



Financial Planning Process

As the industry grows, so do the methodologies used to create financial plans.

Goals-Based Investment Approach



Broadens focus to
consider all aspects of
the client's financial life

Includes planning to fund pre- or post-retirement expenses



The advisor, with the help of financial planning software packages, will structure an investment mix that minimizes the probability of failing to fund the client's goals.

Information is Key

Key skills that successful Financial Planners build over time are **obtaining as much key information** as possible.



Always remember to structure your client meetings and communications with the goal of **making the client comfortable**.



For every client's goal, crucial inputs are required to be collected that need to be documented in the Financial Plan:



What would it cost to **reach this goal now?**



What will it cost to **reach this goal in the future?**



How much time does the client have to **save and invest** for the goal?



How much does the client need to invest to **achieve this goal?**

What Advisors Do What Makes The Career Path Attractive

Day-To-Day Responsibilities

Advisor



Client-facing
roles



Sales and
relationship
management



Spend time
knowing your
clients



Based on a number of factors, the types of interactions that occur can differ between individuals.

Day-To-Day Responsibilities

Junior Advisor



One of these factors is the **stage** that an advisor's practice is in.

A junior advisor focusing on **client acquisition** spends the majority of the time building the **client pipeline**.



Presentations



Cold Calling



Social Media



Contacting
Professionals

Day-To-Day Responsibilities

Tenured Advisor



A tenured advisor with an **established book** will have **existing clients** that require their attention



Quarterly
Reviews



Multiple
Touchpoint



Less Time
Prospecting



More Client
Management

Day-To-Day Responsibilities

Advisor – Support Staff



Another factor that will affect an advisor's day-to-day is **how their team is resourced**.

Delegate responsibilities such as:

- ✓ Answering client calls/emails
- ✓ Preparing documentation
- ✓ Business development
- ✓ Trade execution
- ✓ Portfolio rebalancing



For advisors, the salaries of support staff are viewed as a business investment.

Unique Value Proposition

Advisors can create a **unique value proposition** by specializing in a particular **type of client**.

Find the market



Discover – or create – a niche
market that makes you appeal
to specific demographics

Example



Specialize in
managing wealth of
medical professionals

Stay current on trends



Keep up-to-date on the
latest news, trends, and
developments in the
medical space

Staying Up-To-Date

Current Events and Market Research



Traditional Print Media

- New York Times
- Wall Street Journal



Social Media

- Twitter (aka "X")
- LinkedIn



Free & Paid Market Research

Bank research analyst publications



Market Data

- Bloomberg
- Reuters (Eikon)

Do not get caught off guard. Keep up-to-date on current events, economics, and financial markets.

It Is a Balancing Act

Drawing a balance between all these activities is part of running an **efficient practice**.

Spending all their time
doing market research



No time building the business

It Is a Balancing Act

Drawing a balance between all these activities is part of running an **efficient practice**.

Dedicated majority of time
prospecting new clients



Quality of service declines with
existing clients

It Is a Balancing Act

Advisors can often free up some of their time by:



Delegating



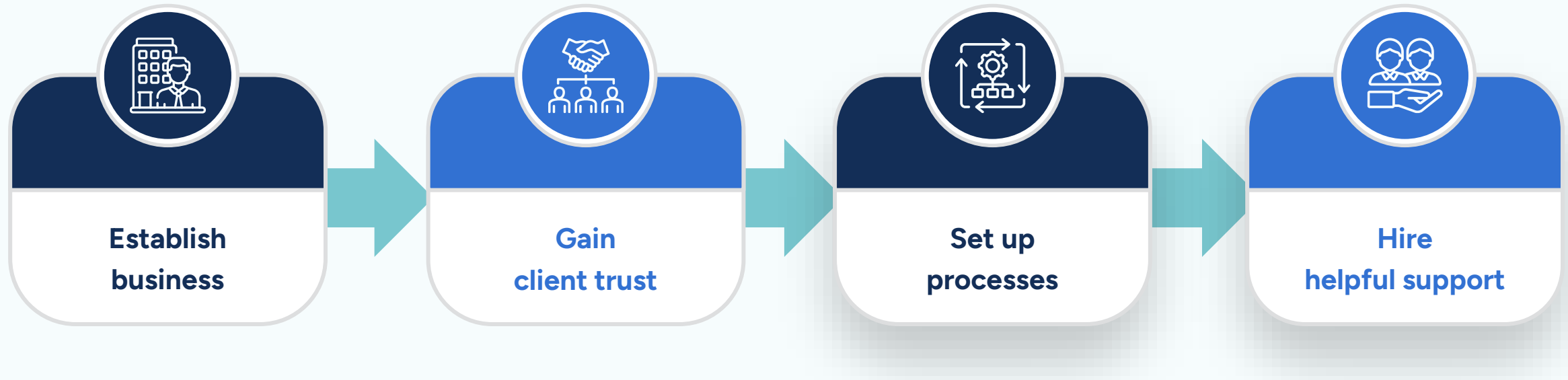
Outsourcing



Be there for client

Experience is Golden

Being a tenured advisor is a very desirable position to be in for a number of reasons.



Advisors are their own bosses, and knowing the business is in capable hands allows them to have a better work-life balance.

Book of Business

The ownership of a **book of business** is another major plus for this industry.



Financial planning and wealth management are the only financial services that allow you to build your book over your career.



Sell the book to another advisor when you exit the business.



Their client base not only provides them with compensation during their working years but can also be part of the advisor's own retirement plan.

Getting Recruited

Where Do FPs and WMs Work

Where is the best place to **find a job** in this industry?

Morgan Stanley



These companies allow early entry learning and working for larger, more trustworthy brand names, which can lend credibility to an advisor's practice.



Where Do FPs and WMs Work

Many of these banks will have training programs that expose employees to different parts of the company, such as:



Management



Leadership

Where Do FPs and WMs Work

Many of these banks will have training programs that expose employees to different parts of the company, such as:



Management



Leadership



Candidates who demonstrate excellent skills are selected during the training period.



Provided opportunities where the advisor would like to work within the organization.



This allows insight into various parts of the business and fast-tracking into financial planning or wealth management.



Banks of this size often have training programs that are specific to certain types of advice.

Where Do FPs and WMs Work

There's no simple way to know which banks have these **programs** or how frequently they **accept new candidates**.



Career Portals



Networking



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Career Portals



Networking



LinkedIn is a great tool to connect with human resources and talent acquisition to discover more about the training they provide.

Where Do FPs and WMs Work

Other than structured programs, people can always apply for junior and intermediate roles that provide valuable experience.

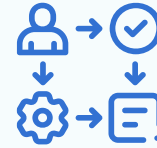
Advantages of working in a branch as a financial advisor:



Knowledge of products



Increase confidence
with clients



Discovery and
onboarding



Identify client prospects

Where Do FPs and WMs Work



Learn the business



Gain the reputation



Relatively low risk



Where Do FPs and WMs Work

- Onboarding Documents
- Mailing Client Letters
- Executing Trades
- Creating Financial Plans
- Pitching New Clients



Where Do FPs and WMs Work

Taking that next step from a support role, you'll be well-positioned to **advance in your career**.



In the associate role, you can seek promotion to advisor to work within the same team or go out on your own.



Build up your reputation and purchase an existing book of business.



Advisors at your firm who are retiring or need to cull their book in order to focus on their largest clients are a great way to get a head start on business development.

Where Do FPs and WMs Work

The other route that the more entrepreneurial prospective advisors can go down is **full independence**.



Find the right
software



Register a
corporation



Purchase off-shelf
software to power office

These solutions include:

- Integrated Trading Platform
- Market Data Streams
- Financial Planning Software
- Risk & Compliance Functions

Where Do FPs and WMs Work

There are several **pros** and **cons** to having your own independent practice.



Credibility

Clients can be certain you are not selling them products a bank wants you to sell.



No pay grid for splitting revenue with a bank means time for each client and higher revenue on lower AUM.



Dedicate more time to each client and ensure that each one receives a very high and consistent level of service.

Where Do FPs and WMs Work

As an independent practitioner, you are **on your own**.

No support and resources from anyone.

No colleagues of different specializations to leverage.



No help with overhead costs from office space to furniture and training programs.



No assistance to produce marketing materials, websites, or network of prospective clients.



Where Do FPs and WMs Work

As with most entrepreneurial ventures, there's **flexibility**, and a lot of **options** are available to you. When considering which way to build your business, assess the **various solutions** before **choosing a path**.

