

Advisers view diversity efforts as a complex, heavy lift

Survey of InvestmentNews readers shows they see upside of diversity but have limited motivation to address it

By Jeff Benjamin | July 26, 2019 - 3:06 pm EST

Discussions about the financial services industry's reputation for being mostly white and mostly male will usually trigger a raft of enthusiastic perspectives, but what most people agree on is that progress is slow and real diversity is still a long way off.

"We have been talking about this since I entered the business in the early '90s," said [Gurinder Ahluwalia](#), co-founder and chief executive of 280 CapMarkets.

"It's hard to move the needle because it takes real effort, and we all have limited time in our days," Mr. Ahluwalia said. "Being inclusive requires a different set of efforts, and if you don't think it's going to have an impact in your time period, it gets deprioritized."

Part of the reason stronger efforts toward [increasing diversity](#) might be assigned a lower priority boils down to the perceived [value of diversity and inclusion](#) in the financial services industry.

An *InvestmentNews* survey earlier this month of nearly 500 financial advisers found that nearly 77% of respondents believe that it is "not at all difficult" to build a racially diverse client base without a direct effort to foster racial diversity within the advisory firm, while only 17% responded that is "somewhat difficult."

76.9%
Portion of advisers who say a lack of effort to foster racial diversity at their firm does not make it more difficult to build a racially diverse client base
43.9%
Portion of minority advisers who agree with this statement

Among the 100 minority advisers responding to the same question, almost 44% agreed that it is "not at all difficult," while 37% said it is "somewhat difficult."

With that in mind, it is not surprising that 50% of respondents said recruiting and hiring minorities for client-facing positions has "never been a factor" in the hiring process at their firm. Meanwhile, 32% of respondents said their firm "attempts to foster a racially diverse staff."

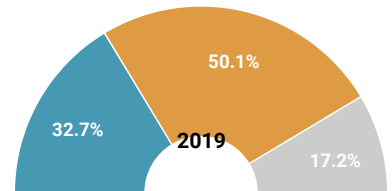
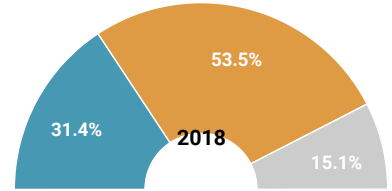
Among minority adviser respondents, 44% said race has never been a factor in the hiring process, and 35% said attempts are being made to develop a more racially diverse staff.

Most firms are not actively pursuing minorities to hire for client-facing positions
Yes, our firm attempts to foster a racially diverse staff
No, race has never been a factor in our hiring processes
Don't know/Not sure

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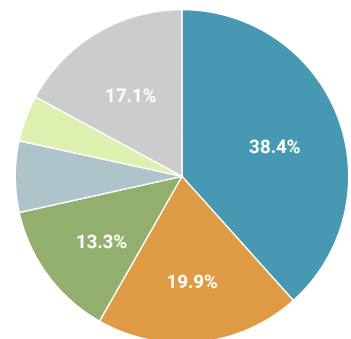
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Although the survey results suggest advisers feel a lack of diversity is not drastically impeding efforts to serve a more diverse client base, the largest percentage (38%) identified "attracting and retaining talent" as the primary benefit of a focus on diversity and inclusion.

Primary benefit of a focus on diversity and inclusion

- To attract and retain talent
- To achieve business results
- To attract and retain clients
- To enhance the firm's external reputation
- To comply with legal requ



"This issue won't be solved by simply having diversity and inclusion talks," said Kashif Ahmed, president of American Private Wealth.

Mr. Ahmed believes that women are not treated equally or fairly in financial services and that minorities don't consider it as a viable profession for them.

"Minorities and women both need to somehow consider this industry as a viable career option, and the industry has to reach out," he said. "With minorities expected to be the majority, and increasingly expected to control more of the wealth, it's simply a smart business decision."

The *InvestmentNews* survey largely reflected the makeup of the financial planning industry, with 82% of the respondents white and 14% African American. But a good portion (38%) of respondents overall agreed that the minority community is underserved by financial advisers, as did 63% of minority respondents.

Portion of minority respondents who agreed with the following statements



"The folks in our industry can largely be categorized as male, pale and stale," said Robert Greenman, lead adviser and partner at Vista Capital Partners.

"The current gender and race make up of financial services isn't terribly surprising as this historically was a decent reflection of where wealth concentrated in our country," Mr. Greenman said. "It's an unfortunate reality but one that will be addressed by market forces, slowly over time. We're starting to see a shift in diversity, with more nonwhite wealthy families as well as an increase in non-male decision-makers."

Lisa Kirchenbauer, president of Omega Wealth Management, said in some ways, market forces are already driving some change, even if there is still a long way to go.

"Often, I will have prospective clients reach out to me looking for a female adviser," she said. "Depending on their planning needs, I believe they think that I will be able to relate to their circumstances better or they actually want to support a woman-owned business. We could say the same for people of color. It doesn't mean a white male adviser would be unable to empathize with their black female client, it just may come down to a comfort level."

For Marguerita Cheng, chief executive of Blue Ocean Global Wealth, diversity means more than just checking a few boxes; it's a state of mind and a way of life.

"As a multiracial, multicultural CFP, I really think about what Ferdinand Porsche said: 'I didn't see the sports car of my dreams, so I decided to build it myself,'" she said. "I didn't see role models like me, but I never let that stop me from supporting and promoting others in our profession. A more diverse workforce brings different perspective and experiences to help clients solve their financial challenges and achieve their life financial goals. In order to stay relevant, we need to adapt and innovate, and diversity and inclusion can make that possible."

