Financial Advisors have a variety of options when it comes to how they choose to retire from the industry ranging from sunsets with a wirehouse to going independent to find an advisor to act as their successor. The most important aspect with any of these moves is how they could impact their clients.

Alan Newman Research (ANR) in collaboration with Wells Fargo Advisors Financial Network, Wells Fargo’s independent broker dealers, launched a research initiative in 2017 that focused on how Financial Advisors can retire from the industry.

A key portion of the study involved asking Financial Advisors from a variety of business models including– wirehouse FAs, independent FAs and RIAs – about their primary concerns and when they would target transitioning out of the business.

Nearly all FAs across the segments had given their retirement or succession plans some thought. Participants over age 60 typically had given the topic more consideration than had those under this age.

Financial Advisors cited a variety of concerns associated with moving their practice later in their career including:

- Ensuring a client centric transition with minimal disruption to the client experience
- Challenge of finding the right FA (or team) to take over their book who is the right fit for the clients. Fit factors include age, geographic proximity to clients, personality and investment strategy.
- Possibility of client attrition during transition impacting retirement income
- Lack of experience and familiarity with the process of moving a book
- FA Uncertainty about what they would do with their, life after retirement
Financial Advisors looking to retire primarily fall into two age brackets: 65-70 Years of Age and Over Age 70.

65-70 YEARS OF AGE
The bulk of FA’s interviewed expected to retire out of the industry between the ages of 65 and 70.

Age 70 was a typical target age for financial planning reasons, such as receiving the maximum Social Security Benefit, having access to Required Minimum Distributions for IRAs and 401(k)s. Additional reasons for this timing included:

- Perception this was the typical/expected time to retire
- Regulatory and compliance issues in the industry becoming too burdensome
- Lack of desire to continue adapting to technology and industry changes

OVER AGE 70
A minority of participants indicated they planned to retire after the age of 70. Reasons for this included personal financial concerns such as caring for parents, supporting younger children and costs associated with a divorce. Those acting as a managing partner or sole proprietor in their practice also expressed loyalty to the firm and need to fulfill an obligation to ensure the future success of their book of business as primary reasons for delaying retirement. There was also a general attitude among this group of research study participants that retirement is “overrated”.

A few participants expressed difficulty in identifying a target retirement age. It either seemed like an event too far in the future for them or they assumed they would work until they were unable to handle the workload to fulfill their responsibilities to clients.

What FAs Will Miss the Most
Participants identified what they will miss the most about their work after they retire. Typically, this included:

CLIENT RELATIONSHIPS. This was most often mentioned across interviews. In many cases, clients were considered personal friends or “like family.”

BEING IN THE BUSINESS. Working in finance was a way of life and compelling enough to motivate 60-70 plus hour workweeks. Some feared boredom or lack of a sense of purpose after retirement.

INTELLECTUAL STIMULATION. Participants valued the intellectual stimulation associated with their challenging job and the dynamic financial services industry.

LIFESTYLE. Some participants felt reluctant to give up the “perks” associated with the industry, such as high income, social atmosphere, and networking opportunities.

For many, this was the only job they had known, and they were unsure how they would stay busy or engaged in retirement.
ADDITIONAL CHALLENGES

A number of additional concerns and challenges relative to leaving the industry were also suggested across interviews and companies, including:

- Discontinued health and life insurance coverage
- Limited amount of time to continue advising and managing client relationships. Some sun setting agreements mandated an immediate cut off of theses interactions after an initial one or two years and only allowed some form of on-call or as-needed consulting availability
- Abrupt jump from full-time involvement in the practice for a prescribed time period to none for the remainder of the sun setting agreement

Taking Control of the Future of Your Business

If you want to take control of your own financial future, preparing and executing a strategy to successfully transition your practice and ensure a positive experience for your clients is more than smart business. It’s a high priority responsibility to your clients.

Wells Fargo Advisors Financial Network has developed a process that helps FAs who are retiring, moving their book of business or transitioning to a different firm make the changeover seamless for the Financial Advisors and their clients. WFAFN works with FAs to develop a personalized step-by-step plan based on their business mix, assets under management and staffing. This includes guidance on obtaining a business valuation as well as connecting advisors to strategic partners who assist in marketing, legal and healthcare, along with other services.

Whether a Financial Advisor is actively looking to transition their business through a merger or just starting to explore the possibility of retirement, there is value in starting to do groundwork now to take control of their financial future.

To learn more about the business transition and retirement options you have available for your practice, contact Wells Fargo Advisors Financial Network today at info@wafinet.com or visit www.wafinet.com.