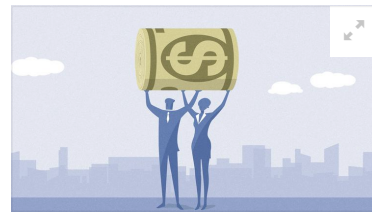


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**BANKING & FINANCIAL SERVICES**

# The future of wealth management: South Florida advisers discuss diversity as an asset in the industry



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**Diversity, Equity and Inclusion**

Topic

**Raymond James Financial Inc.**

Company

**Kristopher Martin**

Person

**Pamela Segal Rhodes**

Person

**Marina Shtyrkov**

Person



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Amid growing dialogue about how to foster diversity in business, the financial services workforce has inspired think pieces, industry-specific studies, and roundtable discussions about its long-standing race and gender gaps.

Conversations about topics including who's most likely to join the C-suite and the disproportionate strain of parenthood on male and female professionals continue to shed light on disparities within the lucrative industry.

Simultaneously, top financial firms such as Morgan Stanley, Raymond James, LPL Financial, and JPMorgan Chase & Co. have publicly committed to improving diversity, equity and inclusion for their professionals and clients through programs and initiatives.

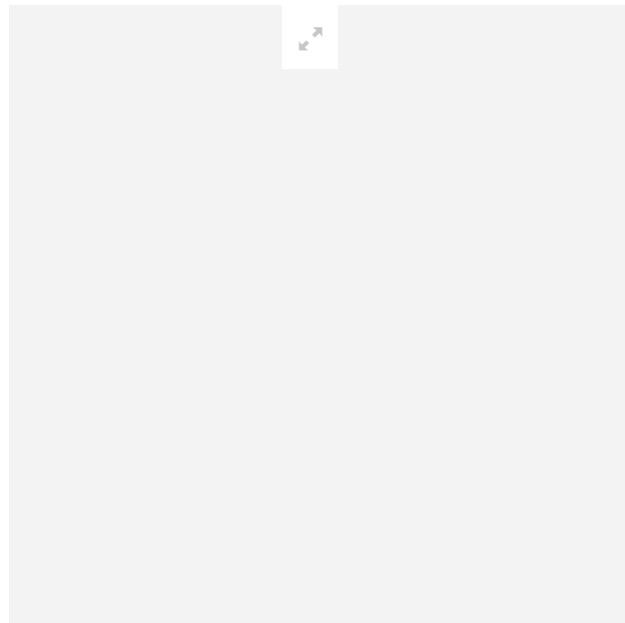
Under the umbrella of financial services, the wealth management industry has maintained its status as a particularly white- and male-dominated sector. A series of studies over the years have documented the sparse, albeit slowly growing, levels of diversity within the field.

“South Florida is seen as a cultural melting pot, but there are definitely still industries today that don’t reflect that growth and diversity. In general, wealth management has had that [issue],” said Kristopher Martin, VP and wealth adviser at Miami-based investment management and family office advisory firm Element Pointe Advisors.

Martin, an African American born and raised in Miami, recalls mentally preparing to be the only Black person at industry events he attended early on in his career. The experience felt familiar after growing up as one of only a few Black students at his school to take gifted classes and participate in student body government, he says.

“I went to events while I was starting my career where I knew I was going to be the only Black person in the room before I got there. But I’ve tried to use that as fuel to affect change,” Martin said. “If there's one person who can see my face and title on a website, then it's all worth it.”

As a certified financial planner, Martin notes the absence of fellow CFP professionals who look like him. Out of 88,726 total CFPs, only 1,493 (1.68%) identified as Black in 2020, according to a January report by the Certified Financial Planner Board of Standards.



Kristopher Martin, VP and wealth adviser at Element Pointe

COURTESY OF KRISTOPHER MARTIN

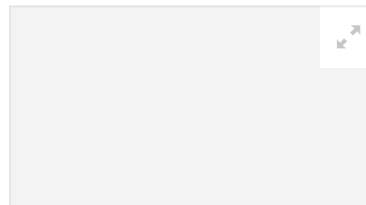
Similarly to racial minorities, women have historically been underrepresented in wealth management. Though women make up more than half the U.S. population, a study by Boston-based market researcher Cerulli Associates found they represented 18.1% of the total financial adviser headcount in 2020.

The gender gap becomes more stark in high-level leadership roles. Analysis of the 2021 Women in the Workplace report, developed by LeanIn.Org and McKinsey & Company, found that women in the financial services fall out in greater numbers as they progress up the career ladder, resulting in significant inequality at the top.

For Pamela Segal Rhodes, a SVP and portfolio manager with UBS Wealth Management's Miami office, starting a career in the late 1980s as the only female employee on a discount brokerage desk did include some face-to-face experiences with gender bias. But the founding partner of Segal Sánchez Wealth Management says her upbringing in a household devoid of pressure to succumb to traditional

gender roles emboldened her to challenge preconceived notions and advance up the ranks.

“There was a line, especially in the former days of my profession, where you may have a boss that could be inappropriate,” Segal said. “Sometimes I did have experiences being talked to differently as a woman, but I wasn’t scared to speak up about it.”



Pamela Segal Rhodes, SVP – Wealth Management at UBS

COURTESY OF UBS

### **Unique obstacles, but great gains**

After spending the first few years of his career on the management side of the music industry, Element Pointe Advisors' Martin returned to his roots in finance after witnessing the dire effects of poor financial literacy within the entertainment and sports industries. He says he was privy to many of the barriers that make financial services notoriously difficult for minorities to break into.

“Finance has one of the highest failure rates for individuals coming into the field,” Martin said. “There are usually high revenue hurdles that you’re expected to hit as an adviser, and a lot of your marketability to firms revolves around who’s in your network. Minorities could be some of the smartest in their class, but they could not necessarily have grown up around networks that lend themselves well to the attractability that bigger firms and banks are looking for.”

Barriers to entry such as adviser-trainee failures, or shortcomings of management, can be drawbacks to the finance industry for all job-seekers, but they can prove to

be especially restrictive for minority and women adviser candidates who might not have as much leeway to "fail upwards" as their white and male counterparts, according to a 2020 report by Cerulli.

"The potential pitfalls for new advisers in the preliminary stages of their career can be daunting for promising candidates and ultimately prevents training programs from preparing a more diverse class of new advisers," Cerulli Senior Analyst Marina Shtyrkov said in the report.

The same study found that retention and career advancement of diverse talent remains a top issue across wealth management, as senior management roles are still largely held by white males. Among all advisers of color, 82% of minority advisers view limited visibility of people of color in leadership to be a challenge, and 78% of female advisers cite limited visibility of women leaders as a top challenge.

Despite the hurdles facing minorities and women pursuing careers in wealth management, diverse candidates who do achieve long-term success in the field can go on to reap enormous work advantages, including vast earning potential and flexibility in creating one's schedule.

Financial advisory roles may not commonly come up in conversations about top jobs for women balancing children and full-time work, but the opportunity for adaptability can be especially desirable for female advisers who have or plan to have a family.

UBS' Segal, a mother of two, says she considers wealth management to be the "crème de la crème" of the financial services industry for working moms and women in general.

"I find that being a financial adviser is the best-kept secret in the financial industry, and it's a wonderful profession for women," she said. "It gives you the flexibility you need and you can easily manage a family while still working. This is the type of profession that a woman can do for all her life."

## 'Change starts with education'

When it comes to fostering more diversity in the next generation of advisers, both Martin and Segal agree that early education about wealth management as a career at the high school and college levels is critical to stimulating interest from a mixed pool of candidates.

Advisory firms looking to diversify face a challenge posed by a lack of knowledge about the industry within underrepresented groups. A 2018 thought leadership paper by the Washington, D.C.-based CFP Board Center for Financial Planning found that African Americans and Latinos lack awareness of financial planning and the profession's certification process due to economic inequality and cultural norms. The board interviewed numerous Black and Latino financial planners who said that they did not start out their careers as financial planners but rather learned about the profession after starting a different career in fields such as business administration or computer science.

This gap in awareness has many firms focusing on partnerships with high schools, colleges and universities, as well as youth organizations such as the Girl Scouts, to spark engagement during formative years of development.

Education and representation are particularly important for young women and women of color as their more seasoned counterparts remain largely outnumbered in the C-suite.

Looking back to the early years of her career, Segal notes that she would've "made leaps and bounds faster" if she'd had more women to look up to in the industry.

"Confidence breeds confidence," she said. "When you see a woman of your likeness who communicates to you and loves what she does, it's a game changer. It can bring those who are more timid out to the forefront. I wish I'd been given that. For me, it was all test-as-you-go."

One-on-one mentorship can also be a powerful tool to support and engage young diverse talent. Guidance from older peers can boost self-confidence for recruits who don't see themselves widely represented in their chosen field, in addition to helping them expand their network.

“When I was in business school, we learned a lot about the fundamentals of finance, but not necessarily about what to expect once you got into the industry. Mentorship was monumental and fundamental to my career development,” Martin said. “South Florida has been a great leader in diverse mentorship just because of what our population looks like, but I would love to see it across the country.”

### **Why diversity matters**

As demographics in the U.S. shift and communities of color build wealth, diversity is increasingly becoming a necessity rather than an option for advisory firms.

According to research by McKinsey, affluent women are more likely to have a financial adviser compared to men, and they are also more willing to pay a premium for in-person advice. While most women do not solely seek out female advisers, they tend to place more emphasis on finding an investment professional with a good personality match, the research found.

By 2030, American women are expected to control much of the \$30 trillion in financial assets that baby boomers will possess. Additionally, heterosexual women in the U.S. typically outlive their male partners, meaning a swath of affluent women become more actively involved in the management of their assets each year.

“This makes being a woman in the industry an asset because widows often want to discuss matters with another woman,” Segal said. “I’ve found that in some client relationships that originated with my partner Federico [Sánchez] prior to the husband’s death, I have ultimately become more front and center after the husband’s passing.”

Data from the Federal Reserve shows that the racial wealth gap persists in the U.S. The banking system's 2019 Survey of Consumer Finances found that the typical white family still has eight times the wealth of the typical Black family and five times the wealth of the typical Hispanic family.

But wealth growth rates for the 2016 to 2019 period were faster for Black and Hispanic families, rising 33% and 65%, respectively, compared to white families, whose wealth rose 3%, and other families, whose wealth rose 8%.

“Previously, [lack of diversity] wasn't that much of a hindrance for firms as most of the wealth was very much concentrated in specific demographics, particularly white Americans,” Martin said. “As the makeup of America is changing, firms are going to be forced whether they like it or not to change what their adviser pool looks like. The firms that are adapting are going to benefit.”

While South Florida's wealth management sector is not exempt from the trends shaping the broader industry, the region's higher-than-average diversity index provides a more heterogeneous talent pool than other parts of the country may have access to. However, it remains up to local advisory firms to purposefully tap into those demographics as they decide what the future makeup of the region's industry will look like.

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