

Wealth/Wanagement

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FOREWARD

Combined, we have met thousands of financial advisors over the last 20+ years - and more importantly, we have built deep relationships with many over that time. While every firm and the advisors we have met possess their own unique skill sets, characteristics, and motivators, we've seen that most - if not all - share a single common attribute: They all want to improve the lives of their clients.

Seeing the impact that advisors can have on their clients, their extended families and their communities has been one of the primary reasons we've dedicated our careers to the wealth management industry. Now, the Wealth Management Group at Informa is making a commitment to multiply this impact and help more advisors work with a larger population of investors and clients – and more specifically, find ways to extend financial advice to individuals who need it most.

This project represents our first formal piece of work that is dedicated to that initiative. We believe that finding ways to bring new, diverse talent into the wealth management business will have the largest impact on the industry's success and its continued growth. Additionally, and more importantly, finding more diverse talent, creating more inclusive financial advisory firms, and extending wealth management into more diverse communities will ultimately be what finally transforms the wealth management industry into a true profession.

This executive brief is based on a Diversity, Equity, Inclusion & Belonging Think Tank that we hosted on June 1, 2022, as part of our Wealth Management EDGE conference. In a week filled with countless highlights and memorable moments, this Think Tank, which brought together 40 industry leaders for a 2.5 hour session on improving DEI&B in our industry, remains the most vivid, vibrant, collaborative and dare we say, critical.

In a highly technical and often quantitative industry, this room was filled with more raw emotion and passion than we've ever experienced at an industry event. The emotion and passion, however, also had a clear purpose: Dozens of executives from large financial services and technology organizations shared a common focus in order to help financial advisory firms learn from their successes and challenges in recruiting, retaining, and developing diverse talent.

Highlighting that the wealth management industry has a diversity problem and has historically done a poor job of attracting women and people of color was not the mission. We were there to present and discuss solutions that can help leaders of advisory firms improve their ability to recruit diverse talent and create cultures where individuals can bring their "true selves" to work.

This Executive Brief captures what we believe were the most important solutions and stories shared. Some are simple, subtle solutions, but embracing diversity and putting these actions into practice will be more evolutionary than revolutionary. This change will not happen overnight, but it will happen faster with every individual who reads this brief, applies its principals, and learns from every success and challenge.

This will be the first of many dedicated DEI&B resources that the Informa Wealth Management Group develops and shares across its extensive media, research, and events business. Our platform is a privilege, and our community is at its core.

We are hoping to come from a place of inclusion and recognize that many firms and advisors, have felt "stuck", wanting to help but not sure where to start. That was the catalyst for creating this brief. We are proud to share this with you and we welcome your feedback and invite you to partner with us on this journey.

Thank you in advance for investing the time in making our great industry even better - and, for putting your own passion into your practice.

All the Best,

Mark Bruno | Suzanne Siracuse





ABOUT THRIVENT ADVISOR NETWORK



Thrivent Advisor Network is a registered investment adviser (RIA) and a wholly owned subsidiary of Thrivent — a diversified financial services organization with more than 100 years of service.

Launched in 2019, Thrivent Advisor Network consists of 20+ affiliate advisor businesses managing over \$6 billion in assets. Our community of independent-minded advisors are passionate about helping clients achieve financial clarity and value collaboration with other advisors who share a commitment to a greater purpose.

Thrivent Advisor Network provides a suite of comprehensive solutions designed to help advisors run

profitable businesses that can improve people's lives and have a positive impact on society.

For more information, visit thriventadvisornetwork. com or find us on LinkedIn.

Investment advisory services offered through Thrivent Advisor Network, LLC., (herein referred to as "Thrivent"), a registered investment adviser. Clients will separately engage an unaffiliated broker-dealer or custodian to safeguard their investment advisory assets. Review the Thrivent Advisor Network Client Relationship Summary, Financial Planning and Consulting Services, Investment Management Services (Non-Wrap) and Wrap-Fee Program brochures for a full description of services, fees and expenses, available at Thriventadvisornetwork.com.



INTRODUCTION - THE CASE FOR DEI&B IN THE WEALTH MANAGEMENT INDUSTRY

Despite growing interest in increasing diversity in the wealth management industry, a significant amount of work remains for the population of financial advisors to better align with the population of individuals who need and seek out advice.

Given humans' natural predisposition to surround themselves with people who look and act like they do, the relative lack of diversity at wealth management firms isn't particularly surprising and it is likely to become an increasingly large problem. As more and more advisors and firm leaders reach retirement age, firms must fill a talent gap while fewer and fewer young people are entering the industry. Broadening recruitment efforts will eventually become an existential issue for many firms.

Investor demographics are also changing. With nearly \$85 trillion in wealth transfer expected over the next 25 years, firms will need to ensure they are prepared to attract and retain clients from younger generations much more attuned to issues of diversity and equity. At its core, wealth management is an industry built on personal relationships. A staff of advisors that looks more like the population it will serve is likely to find itself better able to relate to those investors—and, as a result, better able to serve them.

In short, a more diverse, equitable and inclusive workplace - one that also embraces and values a sense of belonging - is rapidly becoming both a social and a business imperative. Because the wealth management industry's composition includes a large number of smaller and mid-sized firms, however, substantial progress will only result from the collective efforts of many firms.

¹2022, Cerulli, "U.S. High-Net-Worth and Ultra-High-Net-Worth Markets 2021."

YOU DON'T NEED TO DO IT ALONE

The large number of relatively small organizations in the wealth management industry can work against efforts to increase diversity—running a small business in a serviceoriented industry is hard, time-consuming work. But advisors don't have to tackle diversity independently.

Consider partnering with some of your key relationships such as your broker-dealer, custodian, tech vendors or asset managers who may have programs, content and materials you can use and quickly put into practice. In addition, consider joining forces with other advisory firms that are interested in developing their own DEI&B strategies. Collaborative efforts can often go a lot farther, a lot faster.

And don't forget, there are many DEI&B consultants out there that can assist you with your overall plan. They will keep you on track and provide accountability and an outside view of your situation.

Advisors and firm leaders of all backgrounds increasingly understand the need to become more diverse. Acknowledging the need for greater diversity and actually achieving greater diversity are two very different things, however. And for busy professionals already engaged in the complex work of running a business, it can be hard to know how to start. With this brief, we hope to illuminate the first steps of that path.



The relative size of many advisory firms means few have dedicated resources to help implement best practices and build actionable strategies around DEI&B. Fortunately, there are many relatively straightforward actions organizations can take almost immediately to jump-start their progress.

The words diversity, equity, inclusion and belonging are thrown around quite frequently these days. But it's worth stopping to think about what they actually mean.

- **Diversity**: Differences in ethnicity, gender, age, national origin, disability, sexual orientation, education and religion that bring a variety of perspectives to bear on all aspects of the workplace.
- **Equity**: To ensure that members of diverse groups are treated the same as any other group, including equal compensation, as well as access to products and services.
- Inclusion: Active and intentional acts to ensure members of any and all groups are able to participate equitably in all aspects of the organization, that they have access to resources, and that their differences are accepted.
- **Belonging**: The experience of feeling accepted in the workplace. Every team member should feel that their perspective is valued, useful, necessary and welcome.

Before organizations can make substantive changes, they have to want to change. The many DEI&B experts with whom we spoke consistently returned to three key themes that lay the groundwork for the tangible changes advisors need to make across the functional areas of their businesses and it needs to start at the top.

"Leaders play a key role in the success of DEI&B efforts by making diversity a visible priority: They need to acknowledge that there is an issue—both in the industry and at the firm level—work on a plan to address it, and be public about their intentions, for example, by declaring it in writing on their website and working it into their mission statement."

Suzanne Siracuse, CEO,
 Suzanne Siracuse Consulting

1. LEAN INTO INCLUSION

Diversity is not an endpoint, nor is it a one-time project that firms can achieve. It's an important metric, but equity and inclusion have a place in the acronym—and the effort—for a reason. Creating diversity in a firm is not about creating a checklist of specific backgrounds and ensuring an organization has a certain number of each. A focus on inclusion makes efforts at improving diversity and equity more effective because it ensures everyone feels empowered to contribute, rather than running the risk of inadvertently focusing on diversity in one area at the expense of another.

Broad inclusion is important because some elements of diversity are easier to see or identify than others—for example, sexuality or gender identity may be less easily identified than race. But hidden differences are no less important for enriching the culture and capabilities of a firm. To attract and retain diverse employees, firms must create processes and cultures that are safe and supportive of everybody, regardless of background. When people feel free to express themselves authentically, diversity can take root and grow organically.

Inclusion is also important because everybody needs to buy into efforts to change an organization's culture. Exclusion creates pushback, and pushback creates additional challenges. Building an inclusive workplace brings everybody on board.

"Being a good human will help you in all phases of your DEI program. Demonstrate kindness, empathy and understanding authentically and things will be a lot less scary for individuals to reach out when they need to."

Dana Wilson, Founder & CEO,
 Changing How Individuals Prosper



2. BE INTENTIONAL

The lack of diversity in the wealth management industry didn't happen in a vacuum. All successful businesses build themselves up intentionally, looking for talented people with the skill and desire to rise through the organization. Historically, diverse backgrounds simply haven't been part of that equation. That situation has to change.

A successful effort can't be superficial or taken lightly. Firms must incorporate DEI&B efforts into all aspects of the business, the same way they would any other business goal such as growing assets under management, reducing back-office expenses or improving client satisfaction.

You can develop talented, driven, curious individuals. You can't develop diverse backgrounds, however. So you must be intentional about including those with diverse backgrounds in your recruitment and development efforts. To the extent those processes have become unintentionally exclusionary, organizations must be committed to changing them.

"Approach DEI as if you're building a competency for your firm. It's an area where you need to build strength, so even taking the smallest first steps will help develop that muscle needed to take the next step, and then the next."

- Leslie Tabor, Director Business Consulting and **Education, Charles Schwab Advisor Services**

3. AUTHENTICITY IS KEY

In addition to acting with intention, leaders must have a genuine desire to make their corporate culture more diverse, equitable and inclusive. Changing corporate culture is difficult. Becoming open to diversity requires leaders to shoulder a certain amount of discomfort.

It's easy to be your authentic self in a workplace that caters to your personality, beliefs and experience. Inclusion requires leaders to be open to learning from diverse viewpoints around them. Almost by definition, that means they will make mistakes—sometimes embarrassing ones. Leaders must be prepared to acknowledge these mistakes when they make them and then put in the work to fix them.

We all have biases and assumptions. DEI&B efforts force us to confront these biases and assumptions head on. It's hard work, but it doesn't have to be painful work. A genuine desire to connect with others goes a long way in supporting the patience and empathy necessary to generate lasting change.



"It's very easy to spot when folks are being inauthentic—you can see it in their face and their demeanor, and when there's an incongruence between what they say and what they do, their credibility and trust go out the door immediately. Without trust, nothing works."

> Carolyn Armitage, President, Thrivent Advisor Network

SECTION 2 – FINDING DIVERSE TALENT

For firms at the beginning of their journey toward building more diverse and inclusive teams, the key question is essentially, "How do we start?" And for firms who have tried, but have found little or no success diversifying their ranks, it's often a question of where they're looking for talent. Many DEI&B leaders believe the talent is there, but firms just aren't looking in the right places.



"We love mini-me versions of ourselves. As a leader, you want to resist that urge. Go out and try to hire people who are different – different schools, different backgrounds, different groups."

Paul Zettl, Executive Vice President, Head of Global Marketing and Chief Marketing Officer

Cohen & Steers

Being thoughtful and deliberate about your candidate search means thinking beyond those who may already be interested in careers in personal finance to those who have had no exposure to it. That means broadening your search outside your network, which is likely homogenous because of the human tendency to choose what's familiar.

CHECKLIST: HOW TO CAST A WIDER RECRUITMENT NET

- Reach out to your local high schools, colleges and universities or contact your alma mater
- Volunteer as a guest speaker.
- ☐ Share your career journey.
- Tell students about the career opportunities in personal finance.
- Offer a scholarship (even \$500-\$1000 can help) for those studying financial planning
- Create an internship program that gives students a peek into different roles in the industry.
- Work with fundraising specialists such as development officers at colleges and universities to set up scholarships to attract diverse talent.



"If we can get this next generation into financial services as they are, and be accepted, then that will be a big step toward solving some of the bigger issues."

Carina Diamond, Chief Experience Officer
Dakota Wealth Management

- Branch out within the industry Work with recruiters who specialize in championing diverse talent. ☐ Join and/or collaborate with groups or conferences that advocate women and other underrepresented groups. Use LinkedIn and other professional networks to actively recruit diverse talent to fill open roles.

"You've got to be leery of the 'N' crowd: nieces, nephews, nannies, neighbors and nepotism. Because if you're not careful that's who you're going to fill your company with."

Travis Walker, Business Solutions and Diversity Consultant, Allianz Life

• Be overt and deliberate about your search.

Seek out M&A targets with diverse teams

- Highlight your DEI&B initiatives, even if you're not a diverse organization yet.
- ☐ Be up front with recruiters and your network about your desire to reach diverse candidates.
- Create a concise job description that's clear on roles, responsibilities, competencies and skills.
- Train your HR team and hiring managers to check their biases during the hiring process.
- Hire on Potential, not Experience.



"It's OK to admit, 'Hey, we know that this is not a very diverselooking firm and that's something we are actively working on." Sonya Dreizler, CO-Founder, Choir

PUTTING IT INTO PRACTICE:

RECRUIT WITH PURPOSE

Travis Walker, business solutions and diversity consultant at Allianz Life, has two words to guide recruitment efforts: Intentional and unapologetic. "If you're going to do it, you have to commit to it," he says. Walker brought an opportunity to his organization to partner with Wallin Education Partners in St. Paul, Minn, a firm that provides students in need with financial aid, advisors, and opportunities. "If you sponsor one student with them coming from high school and all the way through college, you get access to a pool of about 1,500 graduates in the five-state area. 86% of whom are diverse people of color," he says.

To commit to these sorts of partnerships, firms must be unapologetic about the goals they intend to achieve. Allianz has addressed a lack of women in leadership with a similar sense of commitment. "They started a women's symposium, they started recognizing their top women advisors, and they shifted their branding and marketing to produce white papers and studies about women, money, and power," says Walker. "All of that was intentional and they were unapologetic about all of it—and then you saw the results shortly thereafter." Over the course of 2021 alone, Allianz appointed six women to CEO positions.

SECTION 3 – RETAINING DIVERSE TALENT WITH AN INCLUSIVE AND EQUITABLE CULTURE

Recruiting diverse talent is only half the battle. Without a supportive and inclusive environment that allows diverse talent to bring their whole selves to work, people won't want to stay. Because culture is determined in large part by the interactions among people in the organization, it's difficult to change it overnight. On the other hand, the more inclusive an organization can be, the more every new team member who arrives can enrich it by openly sharing the depth and breadth of their experience.



"I always tell my team if we hire one new person, we have a new team. If I want people to come in and be themselves, I have to understand them and then ask, how does that incorporate into my organization?"

George Nichols, III, President and CEO American College of Financial Services

Although corporate culture is ultimately expressed by the entire company, it starts at the leadership level. And leaders set the tone in more ways than one.



"Parts of our culture, such as kindness, should be uniform, but maybe not everything has to be. Think about everyone as providing their own unique contributions into the company... Instead of being fearful that people are different, generate that as a strength and a source for greater learning and broader perspectives."

Michael Nathanson, Chair and CEO The Colony Group

CHECKLIST: BUILDING A MORE INCLUSIVE CULTURE

- Set the appropriate tone for everyday interactions.
- Don't dominate conversations.
- Be intentional about soliciting feedback and advice from everybody in the room.
- Encourage open communication.



"It's changing that perspective from, 'I want to hire someone who fits in with the team to I want to hire someone who expands the team and brings the team to a new level."

Liv Gagnon, Co-founder, Choir

- Ask some hard questions about your organization:
- ☐ Would a woman, a member of the LBGTQ community or person of color feel safe and respected at your company?
- ☐ What are you doing to make your firm the type of place anyone would like to work for?
- ☐ Who was your culture originally designed for?
- ☐ What types of behavior do you reward—and do those behaviors truly represent the culture you want to have?



"The potential of big bonuses is great, but what people often care more about is, 'Can I take care of my family?' and 'Can I do right by my people and build a thriving career?'"

Marguerita Cheng, CEO Blue Ocean Global Wealth & Blue Ocean Global Technology

PUTTING IT INTO PRACTICE: A FOCUS ON COMMUNICATION

Jimmy Lee, the founder and CEO of the Wealth Consulting Group, thought it was about time that he got to know his employees.

"It's ridiculous that I've had people who I've worked with for years and I don't know about their personal background that much," says Lee. "So I've been more intentional this year, trying to get a little bit more of a history as to who they are, where they came from."

One employee he's spoken with is a young, Black woman who is an advisor assistant.

"I had never really talked to her about what she thought about for her career," says Lee. "I wasn't involved in hiring her and it was interesting to hear her responses."

He learned that the woman wanted to get her license for the sake of having a license, which led Lee to ask an important question: Did she actually want to be an advisor?

"She just wants to be more valuable," says Lee. "So we had discussions about a path that could lead her towards being an advisor and being more long term in the company and industry."

And she's not alone in needing that kind of career quidance.

"I think a lot of the younger folks that are in our industry need some direction," says Lee. They don't really know about career paths they could go down and what it takes."

SECTION 4 - WORDS MATTER

Language and communication are essential components of a diverse and inclusive workplace. In short, words matter. What we say and how we say it influences whether people feel safe, included and heard.



"It may seem little, but to someone like myself, it means a whole lot to know that you care enough to ask about how to pronounce my name."

Kamila Elliot, Founder and CEO Collective Wealth Partners

Swapping gender neutral words like "they" instead of "she" or "him," or "partner" instead of "wife" or "husband," are examples of ways to remove assumptions and promote inclusion. But it's impossible to put together a comprehensive "say this, not that," list. Most people we spoke to about DEI&B agreed that inclusive language is contextual rather than prescriptive.

CHECKLIST: FINDING AND USING THE RIGHT WORDS

•	Be ready a	nd willing i	to make mista	akes—and to d	own them whe	en you do.

- ☐ Be upfront about your desire to understand when language makes people uncomfortable.
- Be equally ready to explain your own point of view so everyone is clear on the intent behind communications.
- Aim for understanding, rather than shaming and blaming.
- As with other elements of culture, leaders set the tone.
- ☐ Show your human side, especially when you are uncomfortable.
- Be open about your intention to use the right language.
- When in doubt, ask how people want to be addressed.

PUTTING IT INTO PRACTICE: CREATING A CONTEXT FOR OPEN COMMUNICATION

Using language properly is ultimately about communicating effectively. To weave open communication more deeply into its culture, Charles Schwab's registered investment advisors complete a fivemonth DEI&B workshop series that focuses heavily on the concept of the "cultural iceberg."

"Every individual has their own iceberg and sets the 'waterline' based on their comfort level with the people they're with, corresponding with what they want to share and what they want to keep private," explains Leslie Tabor, director of business consulting and education at Charles Schwab Advisor Services.

For example, most people are happy to discuss per-

sonal aspects that are easily visible, such as physical features, marital status, even the number of children one has. The amount people are comfortable sharing is heavily dependent on their work culture, according to Tabor. Seeing more of the personal iceberg is a prerequisite for sharing diverse perspectives, a process that can be uncomfortable if people have difficulty expressing themselves authentically in the workplace.

The important question for firms: How do you create a culture that gets people comfortable sharing aspects of themselves that aren't easily visible? "I would say that the concept of psychological safety plays a big role," says Tabor. "So being able to create spaces in and outside of the workplace for people to feel comfortable bringing their authentic selves is definitely key to creating that inclusive culture."

SECTION 5 – THE IMPORTANCE OF ALLYSHIP

Allies are vital for any person's development, and this is especially true for underrepresented groups. Allies speak up when they see injustice and actively promote another's accomplishments in meetings to promote their visibility. Allies act in real time, speaking up in public settings and when needed, following up one on one.

Developing great talent requires the active involvement of champions throughout an organization. For diverse people, seeing and interacting with people who understand and value their experiences and backgrounds is a critical part of feeling supported. As the industry becomes more diverse, it will become easier to find and learn from others with a similar background. But it will always be important for leaders throughout every organization to make a personal effort to champion diverse talent.



"To be a great ally, you have to be receptive to wanting to learn. Some of my greatest allies and champions have come from work relationships with white males where we genuinely want to understand each other and they've used their power and influence and voice to support me. Diversity isn't the responsibility of any particular marginalized community. We really do need allies in majority communities to speak up and partner with us so we can move forward."

Kristi Rodriguez, Senior Vice President, Nationwide Retirement Institute

Business leaders aren't directly at fault for the lack of diversity in the wealth management industry. But the lack of diversity in the industry is their problem. It's critical for leaders to understand the power they have at their disposal to help solve that problem. Using that power can be as simple as opening a line of communication with an employee, understanding what they want to achieve, and helping them in any way possible.

CHECKLIST: ENCOURAGING ALLYSHIP

- If you are in a position of power and influence, find opportunities to create more access and opportunities for underrepresented groups.
- Encourage employees to seek out sponsors to support them.
- Encourage leaders to seek out underrepresented employees to support
- Make time to help develop talent in your organization



"I've had so many interns in my career and I've had so many people say to me, 'How do you have time to do that? I just don't have time.' And I always say, 'You don't have time not to do this."

Carina Diamond, Chief Experience Officer, Dakota Wealth Management

PUTTING IT INTO PRACTICE:

ADVOCATING FOR DIVERSE TALENT

Alex Alba, 25, is an example of the kind of young, diverse talent the wealth management industry is desperate to hire. But he almost missed out on a career that seems tailor-made to his personality.

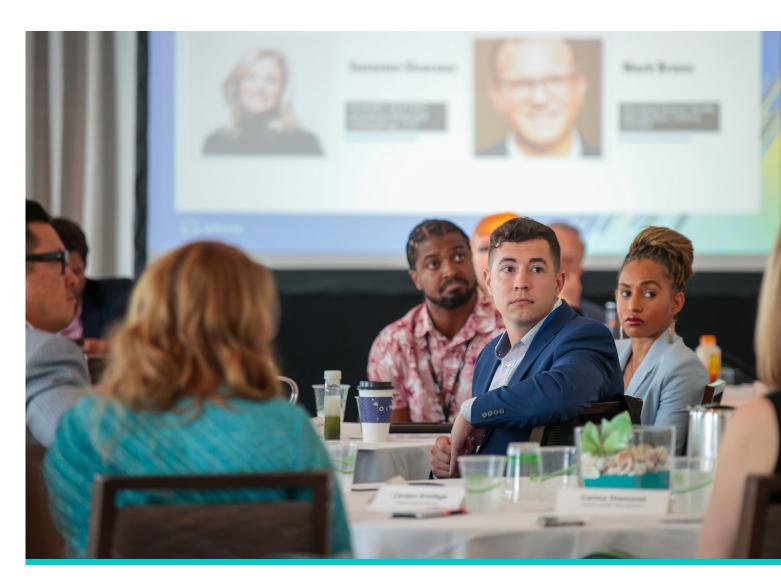
Despite studying finance in business school, it wasn't until he was bartending at a country club that Alba became aware of the possibilities in front of him. A member, who happened to be a financial advisor, suggested Alba might do well in his profession because he was good with people.

Fortunately, Alba landed at Merit Financial, where he soon caught the attention of the firm's president, Kay Lynn Mayhue. He credits her support for helping him get through the challenging first years as an advisor.

Merit uses a personal development plan to keep track of its team members as they develop, encouraging them to build strong relationships with leadership. "Asking thoughtful questions on a regular cadence, and being open to feedback and acting on that feedback is absolutely critical to creating strong relationships with your staff," says Mayhue.

Her willingness to use the power of her position and experience on his behalf has made a tremendous difference in Alba's career. "She's so loyal and believes in me and I'm a 25-year-old kid from Puerto Rico," he says. "I don't know anyone else like me or who grew up with me on the island who has opportunities like mine."

Leaders who build these types of strong relationships will find themselves better able to match diverse talent with new opportunities, to the benefit of the entire industry.



SECTION 6 - TAKING THE NEXT STEPS

Building diversity will only become a more urgent need in the wealth management industry as time goes by. As with any other long journey, the longer you wait, the harder it can be to get started—and the farther behind you'll find yourself once you do take those first steps. We hope these best practices and examples will help make those first steps quicker and more effective.

APPENDIX - DEI RESOURCES

COURSES:

- · LinkedIn Learning allyship courses, including Becoming an Ally by Kenji Yoshino
- LinkedIn Learning, <u>Diversity in Recruiting</u> by Stacey Gordon
- Cornell University Diversity and Inclusion Certificate

BUSINESSES AND ORGANIZATIONS:

- <u>Choir</u> Diversity certification for financial conferences
- <u>Diversitas</u> Virtual and in-person events designed to share research and improve opportunities for diverse groups
- Wallin Education Partners Offers education partnerships
- The Financial Alliance for Racial Equity (FARE)
- CFP Board

PODCASTS:

- 2050 Trailblazers
- The Will To Change: Uncovering True Stories of Diversity & Inclusion
- Living Corporate
- <u>Diversity Deep Dive</u>
- The Forum on Workplace Inclusion Podcast
- The American College of Financial Services podcast

BOOKS:

• The Waymakers: Clearing the Path to Workplace Equity with Competence and Confidence by Tara Jaye Franke

ONLINE RESOURCES:

• Choir Co-Founder Sonya Dreizler's "Do Better" series

TECH:

- <u>Unbiasify</u> Chrome extension that allows you to source candidates from LinkedIn, Angelist and Twitter without seeing people's names or faces.
- <u>Textio</u> Al tool that analyzes text from a DEI&B lens
- Gender Decoder Helps find subtle bias in job ads