

Insights Into Advisor Wellness

Stress And Satisfaction Are (Still) Defining Factors



FlexShares conducted a national survey of financial advisors for a three-week period beginning in mid-October 2018. This was our second annual survey focused on understanding how occupational challenges of our industry impact an advisor's sense of well being.

This latest research validated our 2017 findings and revealed new discoveries of importance to advisory firms. We added new questions related to the impact of regulatory pressures, if and what respondents outsourced, the impact of dependents on occupational stress levels and – importantly – we asked advisors to tell us what they loved most about their jobs.

This pioneering survey was designed to understand financial advisor stress and wellness issues at a deep level and to provide insights into how advisors can live better, more productive and satisfied lives. Because of the overwhelming response from our 2017 survey, we chose to continue this important research.

Our second annual survey was fielded during a bout of market volatility. By contrast, our inaugural survey was fielded in a year marked by almost uncharacteristic market stability. I'm delighted to report that even amid the volatility in 2018, we had a high response rate and advisor respondents cited high levels of satisfaction with their profession. However, as in our first survey, advisors continued to report more elevated levels of stress than national averages.

This paper reveals key stressors reported and the divergence of those stressors based on gender, age, marital status and whether advisors were caring for dependents. We also compared stressors among firm types and services offered.

Understanding the barriers of wellness in the workplace has never been more important. Our industry is predicted to have a shortfall of 200,000 advisors by 2022¹. To stop this gap, advisory firms will need to retool in order to appeal to more women, people of color and younger professionals. Managing with wellness in mind, we believe, will help firms attract, hire and retain talented advisors to move their businesses forward.

We hope you find this research valuable. To keep up with our regular updates on integrating wellness into your practice, please visit [Flexshares.com](https://flexshares.com).

*David B. Partain
Chief Marketing Officer
FlexShares Exchange Traded Funds*

¹ Source: Discovery Data, Moss Adams, Bloomberg Media Group, Greenwich Associates, 2018.

KEY FINDINGS

Advisors responded to our survey during a time of high volatility. The Standard & Poor's 500 Index² experienced losses in 10 of the 17 business days the survey was in the field. Volatility, as measured by the CBOE Volatility Index (VIX),³ was about double from when advisors responded in 2017. Despite these starkly different backdrops, many of the key findings from 2017 did not shift dramatically. More than 630 advisors took time out of their stressful days to provide input for this research.

THREE IMPORTANT TOPICS

1. **Advisors are (still) stressed.** The advisors in our study reported an average stress level that was 23% higher than national norms. Stress levels varied by gender and whether advisors were caring for dependents. There were also varying stress levels among firm types and the services offered.
2. **Competing for clients, compliance and political uncertainty were most concerning.** Respondents rated their feeling of stress related to 13 industry issues. Competing for clients and compliance issues again ranked at the top of the list, closely followed by a new stressor, political uncertainty and then, market concerns.
3. **Advisors gained peace of mind through a variety of strategies.** Advisors shared their tactics for coping with occupational stress. Once again on-the-job strategies, such as being good to clients and time management, resulted in less perceived stress than avoidance techniques such as exercise and spending time with family and friends.



DEMOGRAPHIC CHARACTERISTICS



RANGE 50-59
Median Age Group



80.4%
Married



91.3%
College Graduates



17.7% **82.3%**
Female Male

WHAT'S NEW THIS YEAR

This year we added new lines of questions to the survey, while keeping much of last year's survey in tact so that we can begin to see trends over time. In 2018, we looked for insights on these new topics.

- Work/life balance
- The impact of dependents – both children and adults
- Outsourcing – what is outsourced and its impact
- What advisors love about their jobs
- We also dug deeper on the sources of stress around regulatory concerns

² Bloomberg, Standard & Poor's 500 (S&P500), 17Oct2018 through 09Nov2018. The S&P 500 is a market-capitalization-weighted index of the 500 largest U.S. publicly-traded companies and is generally representative of the U.S. stock market.

³ Bloomberg, CBOE Volatility Index (VIX) 01Jan2017 through 09Nov2018. The VIX is a real-time market index that represents the market's expectation of 30-day forward-looking volatility.

ADVISORS ARE (STILL) STRESSED

Advisors still remain significantly more stressed than the average American. In 2018 their stress levels were 23.3% higher than national norms, down slightly from 2017 when they registered as 25% higher.

HOW STRESS VARIES

Three Kinds of Stress

- 1 *Positive Stress*
- 2 *Tolerable Stress*
- 3 *Toxic Stress*

Not all stress is bad stress

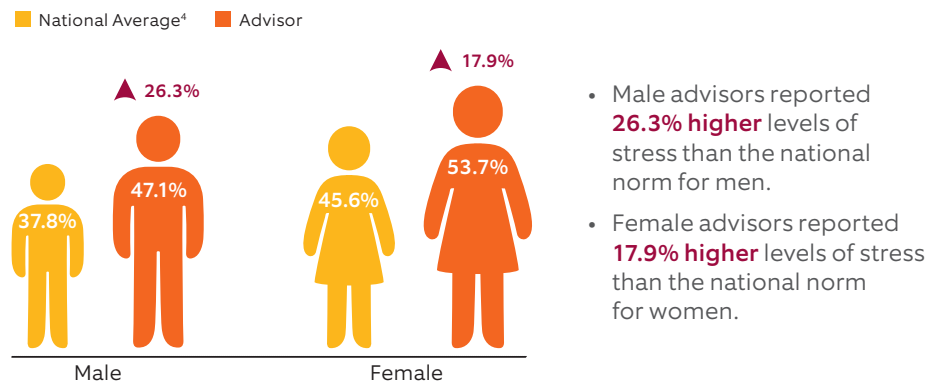
In 2018, FlexShares worked closely with Ari Levy, MD and MBA, a well-respected physician in Chicago that treats many financial professionals. His approach is holistic, and doctors in his practice – SHIFT – come together with life coaches, fitness trainers, nutritionists and recovery specialists to provide customized care. Dr. Levy works with his clients to understand and treat the factors causing stress – not just the symptoms. He reminded us, however, that not all stress is bad stress.

- **Positive stress** is normal, essential and part of healthy development. It's stress that comes when you're trying something new or competing for something you want or need.
- **Tolerable stress** is a response to a more severe stressor and limited in duration such as illness, injury or the dealing with the loss of a loved one.
- **Toxic stress** is prolonged adversity or stress that comes frequently and stays for long periods of time such as physical or emotional abuse, or exposure to a toxic situation that you feel you can't change.

Stress and the gender effect

We examined the stress levels of men and women nationwide, regardless of profession. Then we compared the data to stress levels reported by advisors in our survey based on their gender. In the U.S., the average national stress level for men was 37.8%. But for male advisors, the situation was much worse, registering at 47.1%. Even more concerning is that the national stress level for women was 45.6%, which was markedly higher than their male counterparts, but still lower than male advisors. However, reported stress levels for female advisors, at 53.7%, were the highest of all groups.

STRESS LEVELS BY GENDER



⁴ Compared to the national norm found in the 2017 American Psychological Association (APA) "Stress in America" survey.

50%

OF ADVISORS HAD AT LEAST ONE DEPENDENT

11.9% Of advisors cared for an adult dependent

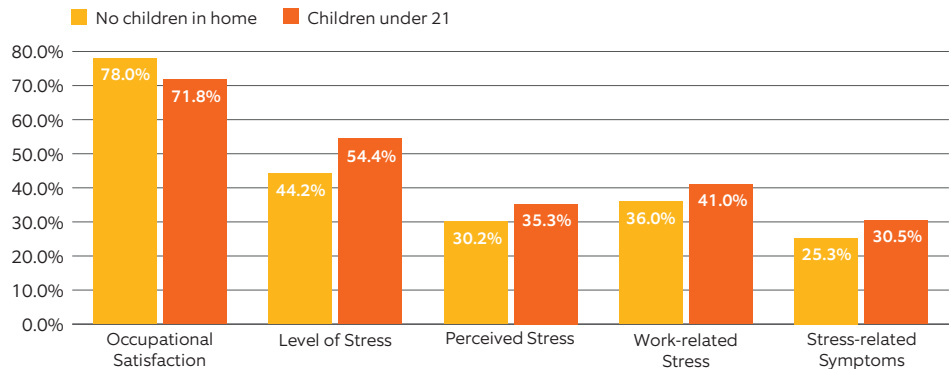
7.6% Of advisors cared for a senior 65+

Stress and the impact of family status

This year, for the first time, we asked about stress levels based on dependents of advisors – both children and adults. Caring for others had an impact on both occupational satisfaction and every measure of stress. Interestingly, there was no significant difference between genders.

DEPENDENTS

Advisors with children under 21 reported lower occupational satisfaction and higher levels of stress. Adult and senior dependents did not trigger higher stress levels or reduce overall satisfaction.



FACTORS THAT ARE ASSOCIATED WITH LOWER STRESS

Marriage is a positive indicator

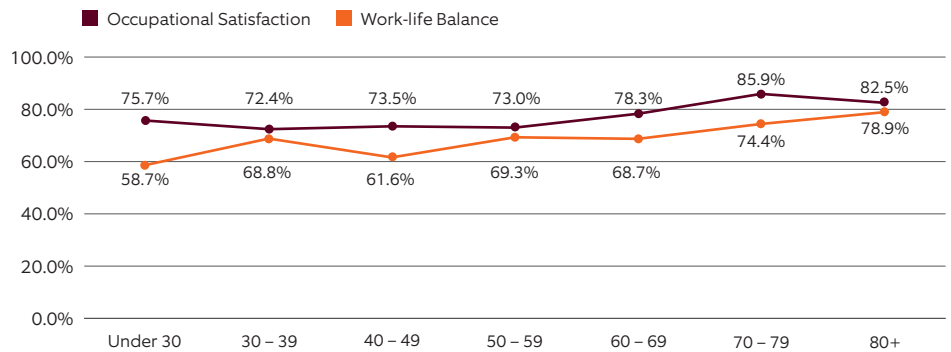
Married advisors reported greater life satisfaction and lower perceived stress, work-related stress and stress-related symptoms vs. their single counterparts. Married advisors were 14.7% more satisfied with life, while single advisors experienced 14.6% higher perceived stress.

Quality of life improves with age and experience

Similar to our first study, this year's respondents reported lower stress levels as they advanced in age. The survey found that occupational satisfaction was 4.9% higher and work-life balance was 9% higher among advisors over 50. For every measure of stress, we saw a decline for advisors 50 and older. Years of experience also brought lower levels of stress. Advisors in the first 10 years of their careers reported stress that was 20% higher than those in practice for 20 years or more. Not surprisingly, satisfaction also increased with larger levels of assets under management, which was generally achieved with more years of experience. Advisors with AUM of more than \$250 million experienced 12.2% greater occupational satisfaction than their counterparts with lower asset levels.

Advisors under 50 reported overall stress levels 30% higher than their older counterparts.

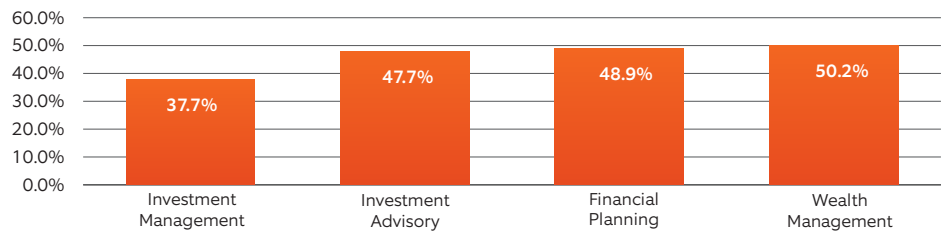
AGE AND SATISFACTION



Stress levels vary by firm type and services offered

One of the most important roles of a financial advisor is to calm clients' nerves. But emotional involvement with clients can take a toll on advisors. Those who described their firm's services as something other than *investment management* reported stress levels that were 31% higher than other advisors. An important point is that stress and wellness measures of advisors in these firms did not vary significantly whether the advisor served an institutional or retail client base.

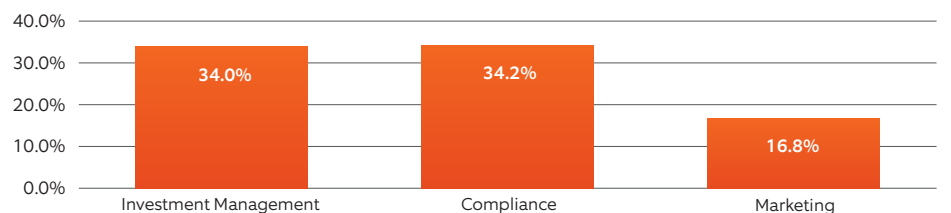
FIRM DESCRIPTION AND STRESS



Outsourcing was not a predictor of lower stress

This year we asked advisors about their use of outsourced solutions. One out of three advisors worked for a firm that outsources the investment management function or compliance. Just under 17% outsourced marketing. These arrangements did not lead to lower levels of stress. However, another proprietary survey by FlexShares – The Race to Scalability – found that outsourcing some or all investment management functions provided advisors with more time to spend with clients and resulted in business growth. To learn more about advisors' attitudes on investment management outsourcing and its benefits and drawbacks, please visit www.flexshares.com/outsourcing.

WHAT RESPONDENTS OUTSOURCED





Intensifying Physical Stress Symptoms

The frequency of all 11 stress-related symptoms measured rose in 2018. Fatigue and muscle tension increased by 10% and 9% respectively, with women reporting more frequent occurrences.

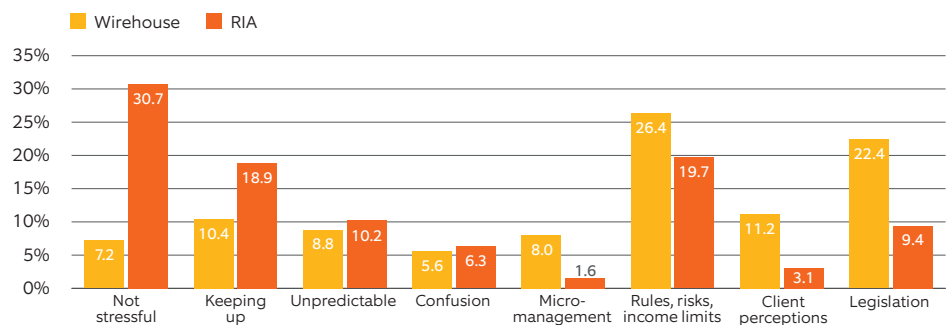
WHAT'S KEEPING ADVISORS UP AT NIGHT?

Client growth and compliance took top stressful spots in 2018

In 2018, the pursuit of clients moved to the number one spot (27%) and regulatory and compliance concerns moved to second (19%) from the top spot previously. When asked to indicate the single greatest source of work stress, these two issues accounted for nearly half of all responses.

On standardized stress measures, there were no significant differences between advisor stress levels at RIA and wirehouse firms. However, an open-ended question revealed that wirehouse advisors were more likely to describe regulatory changes in terms of *bad legislation*, *business risks* and as interfering with *client perceptions* while RIAs described the changes as *not stressful*.

STRESSFUL ASPECTS OF REGULATORY CHANGES: RIA VS WIREHOUSE ADVISORS



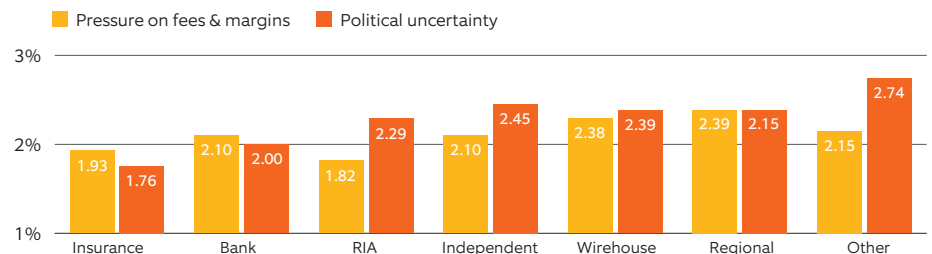
Political and market uncertainty were also concerning

New this year, we included *political uncertainty* as a selection of industry-specific stressors, and it took the number three spot in our hierarchy of stressors. Women perceived political uncertainty as 34.1% more stressful than their male counterparts.

Market concerns rounded out the top four stressors in 2018, moving up from the number six slot in 2017. As mentioned previously, our survey was fielded in the second half of October and early November when volatility was high and markets were falling. One might have expected more of a jump with that backdrop.

We also added *pressure on fees and margins* to our selection of industry-specific stressors in 2018. Despite the regular headlines on fee compression, it ranked eighth on the hierarchy of stressors, below *political uncertainty* for most firm types.

INDUSTRY STRESSORS BY FIRM TYPE



GAINING PEACE OF MIND

Retaining and acquiring new clients, meeting regulatory demands, along with political uncertainty and a return to volatility are certainly taking their toll on advisors. Nonetheless, advisors are finding ways to manage these daily stressors and continue to enjoy their careers in the advisory space.

Advisors are coping in a variety of ways

Survey respondents were asked how they would advise others to deal with stress. Their answers fell into two broad categories: on-the-job and off-the-job strategies.

Coping Style	Strategy	Example
On-the-job	Be good to clients	Focus on the best thing for the client and keep learning
	Delegate	Outsource those items which are easily outsourced
	Task/time management	Compartmentalize the issues. Deal with one then move on to the next.
	Mindset	Worry about the things you can control and not those you can't.
Off-the-job	Prayer/meditation	Meditation works for me
	Exercise/health	I try to get to the gym as much as possible.
	Family/friends	Be a fully engaged parent/grandparent
	Leisure	Have free time

Of these strategies, the most popular were exercise (26%), enjoying leisure time (20%), positive mindset (17%) and time management (13%). These strategies were consistent across age, gender and other demographic characteristics.

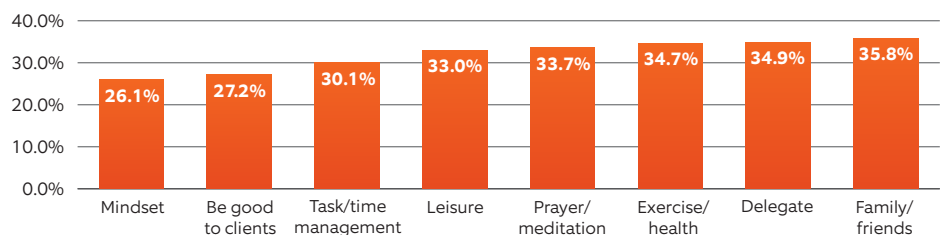
We added questions around vacation time to this year's survey. The median vacation time reported was up to three weeks. Not surprisingly, more vacation time was associated with greater satisfaction, work-life balance and lower stress levels. This was true across age, gender, and years of experience.

The most popular coping strategies were not necessarily the most effective at reducing stress.

The outcome of these coping strategies

On-the-job methods were generally more successful at reducing stress than off-the-job methods. In fact, the data revealed that the level of perceived stress was 19% higher for advisors using off-the-job methods. Perceived stress was lower among advisors that adjusted their mindset or were good to clients. Those who used delegation and time with family/friends to cope experienced the highest stress levels. The strategies offering the lowest perceived stress were focused on dealing with issues directly rather than putting them off. It could also be that the advisors using these strategies initially had lower levels of stress.

COPING AND PERCEIVED STRESS



CONCLUSION: WHAT DOES THIS MEAN TO YOU AND YOUR BUSINESS?

The survey found that advisors are happy with their occupational choice and are actively taking measures to ensure management of their overall wellbeing. There are some important takeaways you may want to consider.

#1 Treat the source of stress, not just the symptoms

Based on our 2018 and 2017 research, advisors report more success in managing stress by utilizing on-the-job strategies vs. off-the-job strategies. Dealing with issues directly leads to a significant reduction in overall stress. Wellness is a delicate balance that requires attention and deliberate effort.



#2 Demand for custom advice is growing. This suits advisors' passion for service.

Investors seeking financial advice are coming to advisors with more complex and specialized planning and service needs. This is no longer a transactional business. For many clients, discussions around investment returns have taken a back seat to conversations about holistic planning and services. While they want to save for long term goals like retirement income, clients also want to rely on their advisor to provide counsel on navigating job changes, finding elder care resources or ideas on how to creatively grow their philanthropic impact.

Our survey confirms that advisors are up for this task. Respondents overwhelmingly stated that they enjoyed helping and serving others, appreciated the independence and flexibility that was available, and liked building relationships.

79.4%

OF ADVISORS REMAIN
OVERWHELMINGLY SATISFIED WITH
THEIR CAREER CHOICE DESPITE
THE STRESSES THEY FACE



60%

Advisors enjoyed helping and serving others



21%

Advisors appreciated independence and flexibility



13%

Advisors liked building relationships

#3

Use these findings to attract new talent before demand outpaces supply

According to a 2018 study⁵, the pool of financial advisors will decline to 87,000 by 2022 from 287,000 in 2018. Now is the time to seek or retain younger advisors, or potentially miss the opportunity. The key tenets of wellness and advisors' love of the industry should be considered when managing and growing your business. For longevity, you'll need to attract a more diverse pool of advisor candidates including women, people of color and of course younger staff.

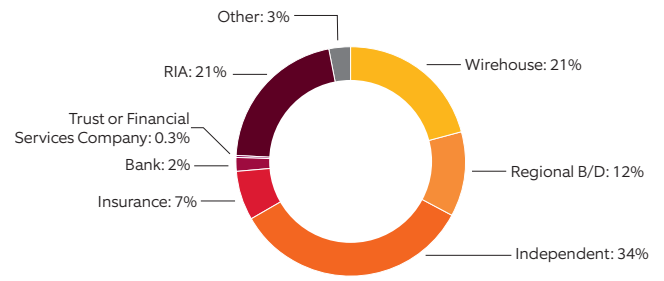
- **A sense of purpose.** Helping others and providing service is what advisors like most about their job. Millennials crave a sense of purpose in their lives.
- **Flexibility is key.** Advisors cited independence and flexibility as what they like most about the profession. Millennials and women are also seeking flexibility and work/life balance.
- **Digitally savvy.** The digital footprint of the investment advisory space is changing at breakneck speed. The next generation is adept at digital tools and are well equipped to keep up with this constant change.

⁵ Source: Discovery Data, Moss Adams, Bloomberg Media Group, Greenwich Associates, 2018.

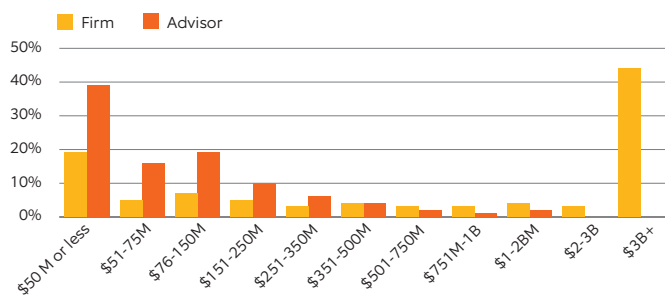
ABOUT THE SURVEY

To conduct this survey, FlexShares ETFs once again engaged third-party research firm Riedel Strategy. During a three week period – beginning October 17, 2018 and ending November 9, 2018 – an online survey was conducted nationally among financial advisors. A total of 632 advisors completed the survey. The sponsor was not identified in the survey.

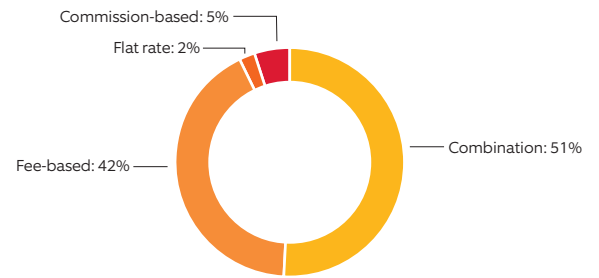
SURVEY PARTICIPANTS BY FIRM TYPE



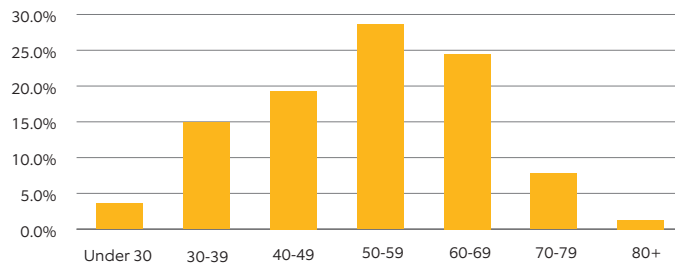
SURVEY PARTICIPANTS BY AUM



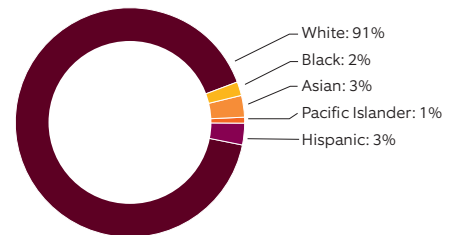
SURVEY PARTICIPANTS BY COMPENSATION TYPE



SURVEY PARTICIPANTS BY AGE



SURVEY PARTICIPANTS BY RACE/ETHNICITY



FIND OUT MORE

FlexShares is committed to helping advisors guide investors through the stress of the financial markets to pursue their long-term goals. The FlexShares approach to investing is, first and foremost, investor-centric and goal oriented. We pride ourselves on our commitment to developing products that are designed to meet real-world objectives for both institutional and individual investors. Please don't hesitate to call us at 1-855-FlexETF (1-855-353-9383) or visit [www. FlexShares.com](http://www.FlexShares.com).

IMPORTANT INFORMATION

Before investing, carefully consider the FlexShares investment objectives, risks, charges and expenses. This and other information is in the prospectus and a summary prospectus, copies of which may be obtained by visiting www.flexshares.com. Read the prospectus carefully before you invest.

Foreside Fund Services, LLC, distributor.

An investment in FlexShares is subject to numerous risks, including possible loss of principal. Fund returns may not match the return of the respective indexes. The Funds are subject to the following principal risks: asset class; authorized participant, calculation methodology; commodity; concentration; counterparty; currency; derivatives; dividend; emerging markets; equity securities; financial sector; fluctuation of yield; foreign securities; geographic; high portfolio turnover; income; industry concentration; inflation; infrastructure-related companies; interest rate; issuer; liquidity; large cap; management; market; market trading; mid cap stock; MLP; momentum; natural resources; new funds; non-diversification; passive investment; privatization; securities lending; small cap stock; tracking error; value investing; and volatility risk. A full description of risks is in the prospectus.

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