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For Immediate Release:

Losing an Advisor Costs Millions

Study Examines Advisor Attrition Experience in Banks and Credit Unions

CHAPEL HILL, NC AUGUST 4, 2016: A new study from Kehrer Bielan Research & Consulting examines the advisor attrition experience in three dozen financial institutions, and calculates that losing a successful advisor typically costs a firm at least $2 million in revenue.

"When an advisor leaves for another firm, the advisor's replacement generally produces less than the departing advisor at first," notes Tim Kehrer, a co-author of the study. "That lost revenue is never recovered, because as the new advisor grows production year after year, the former advisor would have also increased annual production."

The study compared the typical production of advisors with 5, 8, 12, and 15 years of tenure with the firm to the typical production of a replacement advisor in the first year and every year thereafter of the expected 20-year career of an advisor who leaves the firm, explained Peter Bielan, the author of the firm's research on advisor tenure. "While the replacement advisor closes the annual gap over time, the lost revenue is never recovered."

The accumulated shortfall between what a typical 5-year-tenured advisor would produce and what the typical replacement would produce over the next 15 years is $2.7 million. The cumulative shortfall between the typical production of an advisor with 15 years tenure and his or her typical replacement would be $2.8 million over the remaining 5 years of the departing advisor's career. Discounting the value of the two future streams of lost revenue results in a present value of $1.9 million and $2.4 million, respectively.

The lost revenue does not vary much whether the departing advisor has been with the firm for 5 years—the average tenure of advisors in the study—or 15. "The replacement for an advisor with only 5 years of tenure faces a smaller shortfall in production, but many more years for that gap to exist, and accumulate," commented Kehrer. "The replacement for an advisor with 15 years of experience is replacing the lost advisor's production for only 5 years until his or her expected retirement, but the shortfall is much greater each year."

According to Kehrer, “These estimates assume that departing advisors do not take any clients or assets with them to the new firm. To the extent that some business follows them, the economic losses from advisor attrition are even higher.”

“The analysis provides a strong case for spending money to keep the keepers,” he concluded.

The study combined data from the Kehrer Bielan *Survey of Recruiting and Retaining Advisors in Financial Institutions* with data from the firm’s study of the impact of Advisor tenure and its annual benchmarking surveys of bank broker dealers, regional and community banks, and credit unions.

The study also describes the experience of the surveyed firms with advisor attrition, where the advisors went, and identifies best practices in retaining advisors. It was sponsored by LPL Financial.

About Kehrer Bielan Research & Consulting. KBR&C provides the financial advice industry with insights based on a melding of research and experience in managing the delivery of investment, insurance, and wealth management services. The firm provides performance assessment and benchmarking, human resource management and development, due diligence, consumer insights, and interpretation of industry trends through its original research, unbiased consulting, and peer study groups.

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