

For Immediate Release:

Investment Services Revenue Up, Advisor Headcount Flat in Financial Institutions

New Report Sounds Alarm Over Industry's Inability to Add Advisors

CHAPEL HILL, NC APRIL 20, 2022: Financial institutions grew investment services revenue at a breakneck pace in 2021, buoyed by a bull market and a nation awakening from the pandemic. But the number of financial advisors affiliated with those institutions remained flat, a red flag for the health of the industry according to a new report from Kehrer Bielan Research & Consulting.

Revenue from investment services increased 16.9% in the typical financial institution, the largest year-over-year increase ever recorded in the annual report since its inception in 2012. Revenue growth bounced back after stalling during the pandemic and declining slightly in 2019.

Meanwhile, advisor headcount in banks and credit unions increased 1% during 2021, an improvement after declining the three previous years, but well short of the increase needed to capture the growing opportunity to serve the investment services needs of the institutions' customers and members.

“The increase in revenue was driven almost entirely by improving advisor productivity,” commented Tim Kehrer, author of the *2021/2022 Annual Industry Checkup*. “However impressive top-line revenue growth was, it could have been even stronger if banks and credit unions had made net additions to advisor headcount.”

Another key finding in the report: banks and credit unions that partner with a third-party broker dealer are outperforming institutions that own their broker dealer. Investment services revenue increased 14.8% in banks with affiliate BDs, compared to 24.1% in institutions that outsource BD functions to a third party, the third consecutive year that revenue growth in the third-party BDs has outpaced growth in the bank-owned BDs. Why? The report points to trends in advisor headcount in the two channels as a likely explanation.

“Institutions that partner with the third-party broker dealers have been more successful than their counterparts with affiliate BDs at growing advisor headcount in five of the past seven years. We are beginning to see how the long-run inability of the bank-owned BDs

to add advisors is strangling growth,” said Kehrer. “There is a cautionary tale here for the industry as a whole. If banks and credit unions can’t solve for the shortage of advisors, future growth is destined to be constrained.”

The *2021/2022 Annual Industry Checkup* is sponsored by CUNA Brokerage Services, Inc. and Terrapin Technologies.

“The Kehrer Bielan Annual Checkup helps identify the key trends financial institution and TPM industry leaders need to build effective strategic plans and make necessary adjustments,” said Rob Comfort, President at CUNA Brokerage Services, Inc. “Most of all the Checkup gives financial institution leaders credibility through relevant data as they lobby their bank or credit union for the necessary support for success.”

“Every year we look forward to Kehrer Bielan's Annual Checkup, as it provides leaders with the insights they need to be successful,” said Kristefor Lysne, President at Terrapin Technologies. “These insights are not only invaluable to financial institutions, but also to companies like Terrapin as we tailor our services to the evolving needs of our customers.”

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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