Merrill Lynch to launch new adviser training course, ends cold-calling

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- May 24, 2021 BY BRUCE KELLY 

For the past year, Merrill Lynch has steadily hinted at overhauling how it trains new financial advisers, including cutting the retail securities industry's time-honored tradition of new brokers cold-calling potential clients.

In keeping with the times, it appears that the practice of cold-calling is out at Merrill and using social and business networking platforms like LinkedIn is in. Merrill is announcing its new financial adviser development program today, according to a company spokesperson.

The ban on cold-calling is not new, the spokesperson noted. Merrill Lynch last summer put the kibosh on its army of adviser trainees contacting potential new clients after some violations were noted. Executives at the firm later suggested the sales practice, which is treated like a rite of passage by some financial advisers, would later be reinstated, but that turned out not to be the case.

In April, a senior Merrill Lynch executive who asked not to be named suggested a change in the training program was coming and said that new financial advisers would "use LinkedIn to build and expand networks." Referrals and leads are the lifeblood of a financial adviser's business, and for the past few years, Merrill Lynch has been rewarding advisers who bring in a positive, healthy number of net new accounts.

As a result of the Covid-19 pandemic, wealth management trainees at Bank of America and Merrill Lynch were cut off in 2020 and the start of this year from traditional ways of bringing in new business, such as in-person events and meetings, which have been reduced sharply or eliminated altogether across the wealth management industry.

"I think there's a couple things going on here," said Danny Sarch, an industry recruiter. "First, cold calling has long been discouraged. Certain people are good at it but it's a relic from a different era, considering who takes a call from strangers these days and the 'do not call' lists are a frustration for everyone."

"Wealth management and financial advice has been trying to move away from sales to a much more consultative business," Sarch said. "Cold-calling has been discredited for years."

"Next, with no cold-calling, the young adviser's alliance with the bank, Bank of America in Merrill's case, is closer," Sarch said. "Merrill Lynch wants advisers to think of the bank as the source of leads and tie wealth management closer to the banking world."

Peter Kote editorial:

What should be happening with companies such as Merrill Lynch, Morgan Stanley, Wells Fargo Advisors and other brokerage firms in training new advisors is the Certified Financial Planning (CFP) program. CFP trained advisors are growing but still a small minority of the financial advisors in the community. The focus is on sales and how to sell better.

This is from Michael Kitces, ironically published on the same day as the above article.

As huge swaths of the financial planning industry have shifted from focusing on commission-based sales to providing client-centric comprehensive planning as true financial 'advisers', proving one's chops to break into the financial planning industry has only become more difficult. CFP certification, which was once considered the industry 'gold standard', is increasingly becoming a base-level *minimum* requirement as firms strive to hire better and more capable new advisors. While this shift has served to create a legitimate 'barrier to entry' with higher minimum standards for competency, and has arguably elevated the overall service provided to clients, the fact that many employers now *require* having one's CFP certification as a prerequisite for employment means that many new and aspiring financial planners now face costly intensive requirements just to enter the profession.

In other words, the struggle to attain CFP certification, along with completing the robust education requirements, is not just a matter of mastering the academic challenges of the subject material; it also involves managing large expenses that cover tuition (not just for the 6 specific financial planning classes required by the CFP Board, but also for coursework to obtain an undergraduate degree as well, which are often taken by students as two separate curricula), registration for CFP exam fees, and costs associated with CFP exam preparation programs (not to mention the 'soft' costs of taking time off from work and sacrificing personal and family time to study and prepare for the CFP exam!).

For those already in the financial planning profession, there is a chance their firm will agree to cover some (or perhaps all) of the costs required for gaining CFP certification. Yet because the CFP marks are increasingly required in order *to* apply for paraplanner and associate advisor jobs in the first place, employer assistance is less and less feasible as a means to support pursuit of the CFP marks. Accordingly, for those who have not yet entered the industry (or whose firms will not finance the cost), CFP scholarship programs are becoming a key resource to help the individual manage expenses. Scholarship funding for those pursuing the CFP marks generally focus on three areas: 1) Tuition or expenses related to the CFP Board's 6-course education requirement (which is what the majority of current scholarships provide funding for); 2) CFP exam preparation courses; and 3) Registration fees for the CFP exam itself.