Special Episode: Compensation Data Points with Caleb Brown and Jesse Lineberry

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New Planner Podcast **with Caleb Brown**

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Welcome to the *New Planner Podcast*, where it's all about helping you successfully enter the financial planning profession and accelerate your financial planning career.

This podcast will help you understand the profession, become familiar with the various career paths available to you, and avoid the mistakes that limit your success.

Join your host, Caleb Brown, to explore the human side of creating a successful planning career through interviews, personal experience, and insights from the trenches.

Let's get started.

Caleb Brown: Alright, welcome back guys, Caleb Brown here, New Planner Podcast, special guest, Jesse Lineberry.

So, we got Jesse back to talk a little bit about some of the compensation stuff, some of the offers, a few of the offers that we have had accepted over the last few months, a couple that have rejected. And then we finish the salary survey. So, just wanted to kind of touch on some high points there as well.

So, Jesse, it's been a while, welcome back.

Jesse Lineberry: Thank you for having me. I'm excited to talk about all the new annual data.

Caleb Brown: Excellent. Maybe just start us off with just … we went back and looked at, I think it was about 500 people that we talked to, something like that. And what did we find out? Jesse, I mean, maybe hit the high points on the salary survey if you could.

Jesse Lineberry: Yeah, I think what we saw is pretty well in line with what most of you out there are seeing as firm owners. And the average expected salary for a paraplanner, and by paraplanner, we mean someone with zero to two years of experience, new entrant into the profession, probably completed the CFP coursework or is in progress to doing that.

And we saw low 60s — 63, 241 is the number we came out with, 63,000 for an associate planner. And this is someone in that two to five, two to four and a half years of experience, probably past the CFP at this point.

Second chair position, probably in meetings, taking notes, handling a big swath of data entry, building financial plans, prepping meetings, follow up, probably some client interaction. The average we saw there was 83,936. So, just a hair under 84,000.

And for a financial planner, that being someone with five plus years of experience, this person's going to be responsible and expected to maintain relationships. The ball is in their court on a daily basis in the office, that number's still over $100,000. The number we saw was $105,348.

The interesting part is that the average expected salary for a financial planner actually went down slightly year over year. And Caleb, you can chime in and talk about this, but I think we saw a couple of things.

Part of this, just because of our data, we're talking to folks across the country, we break that data down on the survey and you can go to the New Planner Recruiting website and see the survey. But you can see it broken down by area.

I think some of this might have been just skewed because we may have talked more folks in areas with lower cost of living. Some of this though is probably just, there's been so much moving and shaking in the profession in the last two years. We've been talking about the talent competition, the talent war, whatever you want to call it for a while.

I think there was a lot of movement. We probably ran into some folks that weren't in the perfect fit and realized that and were willing to make a mature decision and say, “I'll take a slight step back in compensation to find the perfect thing.”

And I think that's probably the trend that we're seeing here at New Planner recruiting. I'm certainly seeing it in my role at Virginia Tech. There's been a refocus back on candidates and firm owners finding the right fit and making sure, that we're hiring wisely and that we're accepting positions that are a good fit. And these are a 5, 10, 15, 20-year home.

Caleb Brown: Thanks for sharing that. All very helpful. I think maybe some economic uncertainty too. Just like they've been saying, “We're going to be in a recession” for the 18 months and market’s done okay.

And like you said, maybe just the folks that we talk to who were in bad fits because of COVID or whatever it was, are now like, “Look, I'm making this, I'm willing to take a step back if you can get me out of here and get me into a better fit.” And that's, I think, a little bit reflected.

And this is not going to be linear. So, it's not just going to be up into the right all the time because there is going to be some fluctuations based on this, especially if we see a big significant market downturn, so firms.

But I do think, like what you said, the candidates are refocusing on like yeah, “I'm okay taking …” I mean, in this case, “Just a few thousand dollars less if you can get me out of there for a better fit.”

Jesse Lineberry: That's right.

Caleb Brown: Well, maybe just start us off with some of the offers that … one of our clients made an offer, candidate accepted it, just so we have a few more data points there.

Jesse Lineberry: So, kind of moving through and what we saw here, I think reflects a lot of what we saw in the salary survey. So, I'm looking through here at a couple of folks who have less than two years of experience, either coming out of a CFP program or making an early shift in their career.

And the salaries, we're seeing here, 60,000, 65,000, here's another new college grad, 65,000 or 60,000, 65, once they pass all of the licenses and then above when they pass the CFP. And I think what we're seeing is somewhat of a layering in compensation.

And Caleb, you've been talking about this for years, how do we align not just an initial starting salary, but a career plan and a compensation path that rewards behavior and encourages accountability.

So, with new college grads we're seeing, okay, there may be some sort of signing bonus, some sort of moving bonus, but here's the bonus or raise you can expect when you pass the CFP or when you pass the 65 or the 7 and the 66, and here's what it's going to look like once you accomplish X, Y, and Z goals within the firm or master certain things.

And as we move through here, I'm seeing a lot of that. Here's another person straight out of university, 65,000, plus a couple of bonuses, a signing bonus to help them move, another bonus when they pass the CFP, a bonus when they get certain licenses.

And I think that's exciting. And even moving down to maybe some of the more experienced positions. Someone got 3, 4, 5 years of experience, here's the base salary, here's a reload bonus, and then here's a percentage bonus based on the amount of revenue that you're helping us serve.

And I think if you're listening to this and you're a candidate, this is all good news. Because what this tells us is there are firms out there and that's who we work with here at New Planner Recruiting. That's who most of the university programs that I'm familiar with or really try to encourage students to go to, are these advice-centric firms.

And they're compensating and building compensation structures that are based on your ability to give advice and encourage that advice in the first five, seven years of your career, which is really exciting. And it's such a huge departure from what financial services was 30 years ago.

And it was just, “Hey, we're going to bring you in. You're going to cold call people. If you make it, you make it. If you don't, you don't.” We're seeing real compensation and career paths from these firms.

Caleb Brown: And it seems like … we were talking about this earlier before we went on the air, when you were coming out, it was $50,000 for a new college grad, and now, it's based on these numbers. It looks like we saw a lot of 60s, a couple 65s.

And there was a couple folks that we placed on the West Coast in the higher cost of living areas. Your San Franciscos, your Los Angeles is like 70 with a $5,000 signing bonus.

And that's the first time I feel like we've crossed that 70 barrier, which is again, it may not go as far, but if you don't have a lot of experience, that's pretty good.

And something else I wanted to highlight too, and you had brought up in one of our other conversations is, firms were kind of taking two approaches. One like what you laid out, like, “Hey look, we're going to start you at 55, 60,” but you get your Series 65, you get another $5,000 bump.

You go pass a CFP exam, you get another 5,000 bump. You didn't get the designation, you can use the credential. Then you get another five …

I mean, versus a firm that says, “Hey, we're in a panic situation, I'm competing with all these other DC or whatever it is, New York City firms and I'm just going to throw a bunch of money. I'm just going to throw 70 or 65 or whatever at somebody.”

And then that new planner's not going to get a raise, or a significant comp increase for three or four or five years. So, we saw a little bit of that too, didn't we?

Jesse Lineberry: Yeah, we absolutely did. And I think if you're listening to this and you're a firm owner, again, we're talking about averages. If you're in DC, San Francisco, it's probably going to be in that 60, 65, 70 range.

But yeah, that's what we're seeing for sure is this two-pronged approach to landing talent.

Caleb Brown: What else? I mean, we had some virtual positions. I mean, any trends, anything there? I mean, you're not having to deal with really a cost of living or it's just not as important, because they're not having to relocate and get housing in a high cost of living city. So, maybe talk to us about that for a little bit.

Jesse Lineberry: That's a good question and I think it depends on years of experience and who you're talking to how important that's going to be. I mean, certainly we have seen, and we've been talking about this trend for a long time with firm owners in the office. You and I have been having this conversation for years.

People generally are willing to take somewhat of a step back and comp to work from home. And there’re economic reasons for that for sure and there’re lifestyle reasons for that.

I think what I'm seeing in my role at the university is that the new college grads are not quite as interested in that, we're talking about the COVID generation. They were at home for some of high school, some of college, they want to be mentored, they want to be in the office.

But when you get to that associate planner and lead advisor role, there's a lot more interest in working virtually. I imagine that's probably another contributing factor to why we saw somewhat of a small decrease in average salary at the financial planner level that we were talking about earlier.

And we'll talk about this in a moment, I know Caleb, but we saw some folks turn down offers and take less elsewhere to work virtually.

Caleb Brown: Also, just a good reminder for the firm owners too, just because you make a strong offer or you offer the most, doesn't necessarily mean the job seeker's going to going to take it.

Because some of the feedback we get sometimes when the offer to rejected to be with our clients, we hear stories from other candidates, it's like, “Yeah, I just didn't feel it with the firm and I felt like after six months I would be there, and it wouldn't … So, even though ‘they made a strong offer,’ I wasn't going to take it.

And that's also, again for the firm owners who think that that Gen X, Gen Y, Gen Z or whatever, it's all about money, I mean, that's not necessarily what we're seeing.

Jesse Lineberry: No, no. I don't see that very often either.

Caleb Brown: Alright. So, we covered some new college grad positions. What about maybe some folks with a couple years of experience? Where were those guys coming in? Maybe like seventies, eighties, or something? What did we see there?

Jesse Lineberry: We see seventies, eighties, a couple up into the mid-eighties. Again, we're seeing some of these be layered too. Here's someone, couple years of experience, three years of experience, base salary in that 85 range. Once they get the designation, that bumps up to 90, and that was for a virtual position. So, that was a pretty lucrative offer there.

Seeing a couple of folks here that are in the mid-nineties that have gotten some experience too. And then we're looking at more revenue-oriented bonuses as you would expect, and as you often coach as well, Caleb. Any that you want to highlight?

Caleb Brown: Just a couple other things. Most of the people were structuring these as base salary plus some bonuses to achieve some of these hurdles and then some increases as their experience increased.

But a few of them had some revenue share and looked like one firm was around 7% of the net new revenue every quarter, you can get a bonus off of that.

There was another firm in there that said, “You're going to be on a salary, then we're going to level the salary off, then we're going to move you to percentage of the revenue that you're managing.” And that split was about 30%.

So, we're seeing some firms get creative. I mean, especially as people move out of the, what I'm going to call the minder and grinder positions and more the minder and finder positions. You're the relationship person or you're actually finding the people.

But still, the jobs that we're filling, people are not required to generate clients and generate revenue typically. But some of the firms are getting creative to say, “Look, I want you to have a growth opportunity and I want you to have beyond a 4, 5% increase in salary every year. Like the more clients that you work with, and the more revenue that we can generate, you're going to participate in that.” And I think that's healthy.

Alright, so we've kind of covered the new college grad folks. And look, I'm going back and look at the number. It looked like the lowest offer we saw was a small firm in the southeast, 45,000. And then the highest firm was in the San Francisco Bay area at about 70 to 75. So, that's a pretty big range.

And then you said somebody, maybe the associate planner level, what was the lowest offer? What was that? Like 65 up to 90, is that kind of what we saw there on some of the accepted offers?

Jesse Lineberry: Yeah. And that's pretty standard. Again, cost of living playing into that. I think here that 65 range is the low end for sure for an associate planner. But Caleb, you could probably speak more maybe to where that person was in their career and maybe 90's on the high end for an associate planner, you can probably talk to what that skillset and credentialing looked like.

But we've said for years that the associate planner comp level is very difficult to price because two years of experience means a lot of different things. Where were they working? What were they doing for two years, three years, four years?

Once we kind of get to the lead advisor level, the economics are much more simple based on the amount of clients that you're serving. Are you bringing in revenue, et cetera. The paraplanner level, it's very clear, but I think we've historically seen the broadest range in this associate planner level because it's just difficult to get at.

Caleb Brown: And I feel like too, since we recruit mostly for fee-only RIAs, I mean they more heavily wait and will pay more for that type of experience if we're getting them from another firm, versus even another channel or a career changer with no experience.

So, there is certainly a pre … I'm just looking at somebody had three years of experience in southeast firm, managing about

500 million, $94,000 plus another, about a 10% bonus that was an experienced female CFP, that's pretty good.

But they also know that it's a competitive market and that person had some other offers and they had to get in there.

I see a couple other people in here, over 100k, there's one person with 10 years of experience that wanted to work virtually. So, they took a hundred K with a 15% bonus. That was interesting.

And they probably, I mean, based on their years of experience, probably could have gotten a lot more than that. Is anything else on here, before we move on to the offers that were rejected?

Jesse Lineberry: I don't think there's anything else that I wanted to touch on. I'm good to move on to the rejected offers. Anything you want to highlight?

Caleb Brown: Oh, let's do one more. We have a career changer, zero years of experience. Went to a firm that had about 500 million in assets, started at 60, alright, 60,000. So, this was an in-person.

And I do see that a lot too, especially my UGA students, they're all calling me like, "No, we don't want virtual. We do not want virtual." I feel like the people that want virtual are the three-to-five-year people and then the highly experienced people who have already learned the business, and don't need the apprenticeship model.

But kind of that those first few people starting out, like no, I know I have a lot to learn. So, good conscientiousness. I need to be sitting next to the person and not being logged on Zoom.

And not all of them think that, but most of them just had a terrible time in the COVID college. What else? Anything else? I feel like a lot of more signing bonuses and sort of reload packages. Not a lot of money, a couple thousand here, a couple thousand there.

Typically, you don't see that at an entry level, someone making under $100,000. I mean, that's usually more executive stuff where they're going to pay for movers and all that stuff. Let's just talk a minute about the couple of offers that got rejected.

Jesse Lineberry: Yeah, so we had a couple here and it's interesting that when we talk about rejected offers, there's always so much to unpack because we have the compensation piece and that's always the part people want to talk about. But there's almost always the backstory, there are relationships.

I mean, just like you dealing with people as clients, we're dealing with people as candidates and hiring firms, and there are all these different things in play. So, we had one person, couple years of experience, got an offer in the kind of mid-seventies range with a 15% bonus and just wasn't a good fit.

And didn't feel like they felt it and moved on to a different opportunity. We also had someone else who turned down an offer in the high fifties, this is more of an entry level role. Comp was maybe a little low, but they were willing to actually take less money than that so that they didn't have to relocate.

And so, even though you see that offer and I initially see the number 57,000, I think, “Man, that that may have been a little low, but there was more to the story,” they actually took less to go somewhere else.

So, the comp's not always the story. We saw another person five, six years of experience, mid-eighties, relatively attractive bonus. But on the flip side, they wanted more money elsewhere and they took more money elsewhere. And so, that one, the comp was the driver.

Caleb Brown: Let me just say one other thing. I mean, in that case, I'm just talking to the job seekers out there. I mean, use this resource and other resources like talk to your professors, talk to your study group colleagues. Reach out to us if our salary survey is you need more, or listen to this podcast.

I mean, try to get a decent range. Because one thing that really rubs firm owners the wrong way, if you come in and say, “Look, I've done my research, I'm looking for $70,000.”

And then you get through the process, and they offer you like … let's just say they offer you 73 and you come in like, “No, I really needed 85,” that does not come across really well.

And there was one candidate that we had that did that. And it just makes you look bad. It makes your school look bad. I mean, don't do stuff like that.

And I feel like I shouldn't have to say this, but if you give a range, especially if the — now if they come in and sort of low ball you, which we haven't had anybody do, especially our clients won't do that because we're going to coach them. You just have to be careful with that. So, when you give someone a range, you need to stick with it.

Jesse Lineberry: Absolutely. And if you're a college student here and you're listening to this, you're a senior, you're a career changer and you're a negotiating salary, one of the things I encourage our students to do is use a cost-of-living calculator. Use a resource like this and build a budget.

You're a financial planner, build a budget and show the firm owner, “Here's what I think it takes to live.” Make sure it's correct. That's a good way to lose an offer if you don't put this together well, but this is a way to humbly attack this.

Express immense amounts of gratitude and then just kind of come at this from a more data-driven standpoint. And again, you're working with a financial planner. We generally find they appreciate that as opposed to, “I think I'm entitled to X.”

Caleb Brown: It looks like we had a couple other offers that were in kind of the mid-eighties. Let's see, a female just passed the CFP two years of experience, got offered 85,000 with a 6% bonus, but passed on it to take the remote position.

And then we had another one. They offered the same thing, or the same firm offered. They had two offers rejected. And the person just came back and said, “I just didn't think it was a fit.”

And this is something that I felt like I saw more frequently over the last six months or even nine months. But the newer planners being a little concerned about going to work for a sole practitioner or in their mind, a small RIA firm.

And a lot of times when we're interviewing candidates, we ask them like, “What is small?” And because that's small, medium, large, I mean false objective; what does that mean?

And here's sort of the answers that we kind of get like small, like, “Well, about 15 people.” I think small lesson. So, I wouldn't sound the alarms or the bells and whistles if you're a sole practitioner, you're a smaller firm out there. But just be aware that at least this group of folks that we talk to were very hesitant/concerned about going to work with a smaller organization.

So, I just want to plant that seed because that's something that I kind of took away from this data set.

Jesse Lineberry: I would concur, and this is one of the things that we have to coach all the time. We've been coaching New Planner Recruiting and I coach students in the program about, if you own a firm that's got less than 10 or 15 people and you're listening to this, I'm not encouraging you to defend yourself, but be prepared to answer questions and think about what their concerns are.

Oftentimes, I find that parents of new advisors think big firm is safer. And I think part of the compelling story of small RIAs, and I've seen this for years, is that when there are downturns, when there's uncertainty, when COVID-19 hit, a lot of the small and medium sized firms really invested a lot in their people, and they weren't operating big layoffs, and they weren't having to make these big changes.

Now, obviously, none of us can make promises, but I do think you have a unique story to tell, and be prepared to tell that story and educate them on just how much upside there is.

I know we do our part to try to do that, but it never hurts to reiterate that when you're kind of in that position where you're presenting an offer or interviewing candidates.

Caleb Brown: Yeah, that's a great point, Jesse. Thanks for coming on here and sharing some of this and talking. We like to get you on here every once in a while. Anything else that comes to mind or you're seeing, or you'd like to share with the audience?

Jesse Lineberry: I don't think so. It feels like hiring is still relatively strong and folks still need financial planning, whether the market's up or the market's down and the profession is all needs talent. So, it's still an exciting time in the profession.

Caleb Brown: Thanks everybody for tuning in. Jesse, thanks so much for coming on.

Jesse Lineberry: Thanks for having me.

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