life annuity specialist

ADVISORS ARE BECOMING AN ENDANGERED SPECIES

By: Aaron Smith - January 24, 2024

Carriers are facing a labor crunch for financial advisors, including those who also sell life insurance, and it's only expected to get worse.

The need for financial advisors is forecast to increase in coming years, according to the U.S. Bureau of Labor Statistics, which forecast a 13% increase in job openings for financial advisors from 2022 to 2032. That growth rate is more than four times higher than the average figure for all jobs. Given the 2022 total of 327,600 positions for financial advisors, the industry will have to hire 42,000 new advisors by 2032 — that's 4,200 per year — and that's not even counting replacing those lost to attrition.

But will there be enough incoming advisors to fill these positions? The labor market for insurance jobs remains tight, especially in sales, with new hires of financial advisors barely replacing outgoing retirees and burned-out agents in a job sector where nearly three-quarters of new hires wash out in their first few years.

"It seems that young adults today have very little interest in a career that requires selling something, such as life insurance," said Ray Kathawa, vice president of practice development at M&O Marketing, an independent marketing organization based in Southfield, Mich.

"Technology has also discouraged social sales interaction," said Kathawa in an email. "This is the problem that has led to the massive decline in the career life insurance system."

While there is significant attrition with actuaries and underwriters aging out, the problem is even more pronounced among advisors. The insurance industry hired just 2,706 new advisors in 2022, according to the most recent data from Cerulli Associates, a Boston-based research, analytics and consulting firm for financial services companies. (Cerulli did not break out a separate number for life agents but noted that many advisors are also licensed life insurance agents.)

This is not enough to replace the outgoing veterans. Cerulli said 109,000 advisors plan to retire in the next decade, which represents 37.5% of the total workforce for advisors.

Rookie Retention

Replacing them is not easy, because not enough young people aspire to be advisors or life agents. The hardest part is the retention of new hires, where attrition is particularly intense. Cerulli cited a "rookie failure rate" of 72%.

Recruiters like to present an image of successful agents. When Integrity Marketing Group, a rapidly expanding IMO based in Dallas, acquired Elevation Sales Coaching in 2022, it released a video of president Jordan Smith tossing handfuls of cash to his audience of life agents. And TikTok is awash with videos of people claiming to make thousands of dollars per week as life agents.

But this is easier said than done. While experienced agents can make six figures, the median compensation for insurance sales agents in 2022 was $57,860 per year, according to the most recent statistics from the U.S. Bureau of Labor Statistics, and rookies make even less. Since most agents work on 100% commission, the first year can be lean, indeed.

Thomas Barbaccia, a seasoned agent at DGA Insurance Services in New York, said that attrition is high among rookies because it's "not a sexy business" and it's difficult to make money in the beginning. "Most don't have a book [of clients] or can't build one," said Barbaccia in an email. "Most don't have anyone to speak to."

Also, not everyone is a natural salesperson, he said. Barbaccia pointed out that some agents are "mumble mouths" who can't do "sales speak." He said that not everybody is willing or able to work for commissions or fees instead of a salary.

To fix this problem, Barbaccia suggested that the most promising new salespeople could be supported with stipends to get started, along with benefits like subsidizing licensing costs and one-year or two-year salaries "if they hit bogeys," he said, invoking the golf term for scoring just one over par.

No More Cold Calling

The problems with net attrition of advisors and agents are not going away any time soon. "I do believe the decline will get worse," said Kathawa of M&O Marketing. He said this is especially true with the advent of direct-to-consumer sales, which experienced a spike in popularity during the Covid pandemic.

While digital D2C sales platforms from companies like Ethos Life and Bestow didn't replace humans, agents still have to compete with them, said Kathawa. He said the life insurance industry must adapt to the changing ways that consumers buy products.

"Instead of door knocking and cold calling, the life insurance industry has to embrace technology platforms that allow agents to serve consumers in a way that is in-line with today's consumer purchasing behavior," he said. "People want what they are buying to be simple and fast."

Blake from Cerulli said distributors should remember how difficult the job of selling life insurance can be, and support rookies to help them succeed with mentorships and training in financial planning and other skills.

"With all of this in mind, it's important to not lose sight of just how hard it is to find clients and grow a practice as a new advisor without significant personal connections and time spent networking," he said.