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Financial Services Practice

The looming advisor shortage in US wealth management

Demand is strong. Capturing it will require wealth managers to tackle the impending shortage of advisors.

This article is a collaborative effort by Jill Zucker, Jimmy Zhao, John Euart, Jonathan Godsall, and Vlad Golyk, representing views from McKinsey's Financial Services Practice.

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Following several years of economic crosscurrents and fluctuating performance, the US wealth management industry is entering 2025 from a position of strength, with solid fundamentals in place. Demand for its services continues to grow as Americans become wealthier and their needs become more complex—for example, because of greater reliance on personal savings for retirement than in prior generations and the proliferation of sophisticated financial products to maximize wealth accumulation and preservation. This increasing demand is illuminated by clients' growing willingness to pay for human-delivered advice.

There are, however, clouds on the horizon: questions concerning adequate supply for this healthy demand. We estimate that by 2034, at current advisor productivity levels, the advisor workforce will decline to the point where the industry faces a shortage of roughly 100,000 advisors.

Addressing this gap requires changing the advisor operating model to increase productivity (through lead generation, teaming, and an AI- and technology-enabled shift toward value-adding activities) and attracting new talent to the industry significantly faster than before. Successfully navigating the broad challenge would not only benefit the industry economically but also align with the mission of helping American families steer through the complexities of their financial lives.

In this article, we examine the growing demand for wealth management services, detail the looming shortage of advisors, and discuss what companies can do to put the advisor population on a more sustainable trajectory.

Growing demand for advice

Over the last decade, advice revenues have been the main economic driver of the US wealth management industry's growth. In fact, we estimate that revenues generated from fee-based advisory relationships (a proxy for advised relationships) have grown from approximately $150 billion in 2015 to $260 billion in 2024 (6.4 percent CAGR), and growth in the number of human-advised relationships has outpaced population growth by three times in the same period (1.8 percent versus 0.6 percent CAGR in 2015–24).[1] Looking ahead, the number of advised relationships will continue to grow; we estimate it could reach 67 million to 71 million by 2034, a 28 to 34 percent increase from 53 million relationships in 2024.[2] Several underlying drivers are behind this growth:

— *Rising wealth of US population.* The number of affluent households (those with at least $500,000 in investable assets) will grow at 4 to 5 percent per year, compared with 0.6 percent projected growth in the overall population, according to our estimates. The trend can already be seen today: the largest adult cohort, millennials (72 million people), has 25 percent more wealth than Generation X and baby boomers had at the same age.[3]

— *Growing demand and willingness to pay for human advice.* McKinsey's Affluent and High-Net-Worth Consumer Survey of US investors[4] indicates that clients increasingly seek more holistic advice as they age, and their needs become more complex across the full spectrum of planning services and balance sheet and investment products. In fact, the share of investors seeking more holistic advice grew from 29 percent in 2018 to 52 percent in 2023. At the same time, clients are increasingly willing to pay a premium for human advice (see sidebar, "Advisor fee rates stabilizing"). Almost 80 percent of affluent households surveyed indicate that they would rather pay a premium of 50 basis points or more for human advice than use a customized digital advice service priced at about ten basis points; 29 percent say they are willing to pay a premium of 100 basis

[1] Figures for 2024 estimated based on first three quarters.
[2] Andrew Blake, *U.S. advisor metrics 2023: Specializing for growth and differentiation,* Cerulli Associates, 2023.
[3] Joe Pinsker and Veronica Dagher, "The dramatic turnaround in millennials' finances," *Wall Street Journal,* August 13, 2024.
[4] Survey conducted in April and May 2024; n = ~7,000.

Advisor fee rates stabilizing

Increasing demand for human advice is one of the factors behind the stable to slightly increasing advisory fee rates across delivery models. After a period of fee compression for advisory relationships from 2013 to 2018, fee rates have stabilized, according to PriceMetrix by McKinsey. For example, fee rates for $1.0 million to $1.5 million advisory relationships have stayed at an average of approximately 104 basis points since 2019.

points or more. Furthermore, among investors with more than $1 million in investable assets, the share willing to pay a premium of 100 basis points or more grew by 50 percent from 2021 to 2023.

This robust demand has not gone unnoticed. Firms across delivery models have been rolling out new advice propositions; for example, traditionally digital/direct wealth managers are rapidly expanding their full-service advice offerings. They have also been enhancing the depth and breadth of their planning services, such as basic financial, philanthropy, tax, family governance, trust, and estate. Some large wealth managers have launched career development programs; however, firms must do even more than they already are to upskill their advisors and improve talent attraction efforts.

Historically, the industry has been able to meet rising demand by making slow but steady gains in advisor numbers and productivity. However, capturing the advice opportunity will be more difficult as the advisor population ages and their numbers start to decline, and as the immediately accessible productivity gains are realized.

Declining advisor head count

The looming advisor shortage should come as no surprise to the industry. The advisor workforce has grown at a meager 0.3 percent per year in the last ten years (Exhibit 1). The outlook is even more challenging: Advisor head count is projected to decline by about 0.2 percent annually.[5] Retirements outpace recruitment, as advisors are on average ten years older than members of similar professions. An estimated 110,000 advisors (38 percent of the current total), representing 42 percent of total industry assets, are expected to retire in the next decade.[6]

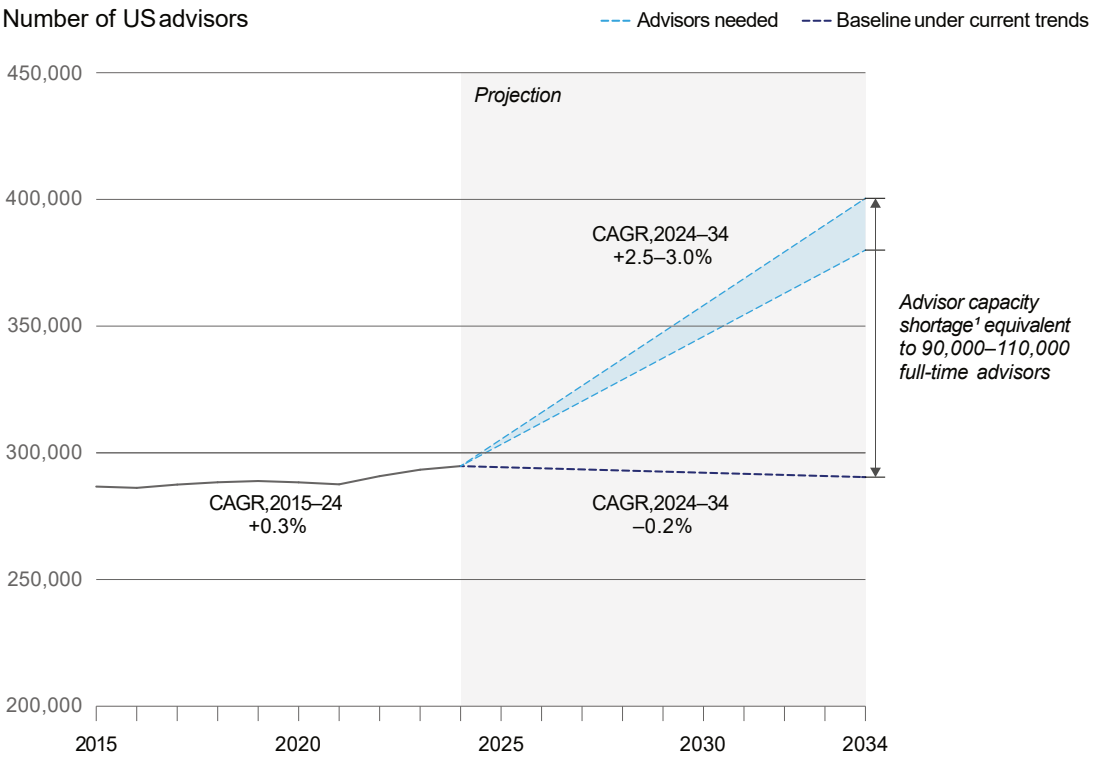
Overall, based on historical and projected trends of population growth, wealth creation, and usage of human-advised services, our estimates suggest the industry could face a shortage of 90,000 to 110,000 advisors, or 30 to 37 percent of current head count, by 2034 at current productivity levels.

To date, the industry has answered the rising demand with productivity initiatives enabling advisors to serve more clients. These initiatives include advisor teaming; hiring of specialists to support advisors; rollout of digital account opening, reporting, and self-service (for example, updating basic account information, adding a dependent, requesting a wire transfer); and enhancements to advisor desktops and workflow automation (such as portfolio implementation and rebalancing). Continuing to increase advisor productivity will require the systematic application of an even broader set of levers, as most quick wins have been realized.

[5] Andrew Blake, *U.S. advisor metrics 2023: Specializing for growth and differentiation,* Cerulli Associates, 2023.
[6] Andrew Blake, *U.S. advisor metrics 2023: Specializing for growth and differentiation,* Cerulli Associates, 2023.

Exhibit 1

McKinsey estimates the advisor shortage will reach 90,000 to 110,000 in the next ten years, at current advisor productivity levels.



[1]Assuming current productivity levels.
Source: Cerulli Associates (historical data and baseline projections); McKinsey analysis

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Without resolving this fundamental supply bottleneck, the industry will continue to find itself in a zero-sum competition for advisor talent. In fact, as competition for experienced advisors grows—in part, fueled by private equity investments in the registered investment adviser (RIA) model and growing awareness of the impending shortage—recruiting packages and associated expenses have been on the rise as firms compete for the approximately 27,000 advisors who switch firms or go independent each year. While experienced-advisor recruiting is critical to the success of many firms, the industry should also take a long-term view and develop sustainable strategies to attract more advisors to the industry, help them grow faster, and enable established advisors to be more productive.

Addressing the shortage with an advisor talent and productivity system

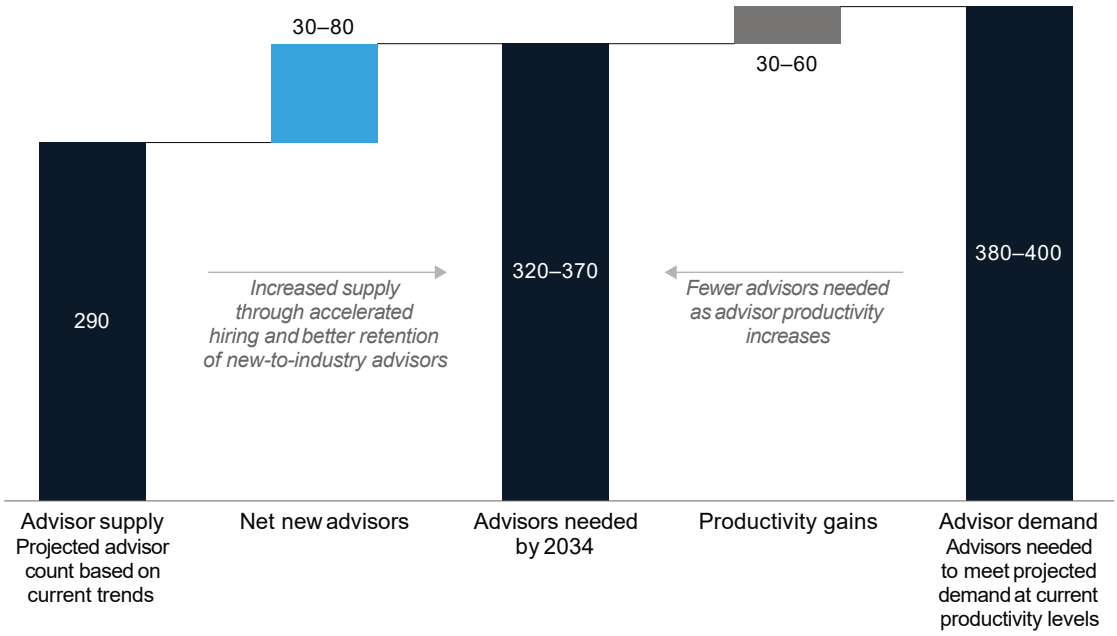
Solving the advisor capacity challenge will require a deep rethinking of the advisor operating model. Firms will need to increase productivity by 10 to 20 percent and attract new talent to the industry at a faster rate: 30,000 to 80,000 net new advisors over the next ten years, compared with 8,000 in the last ten years (Exhibit 2). All told, if the productivity gains are realized, the industry will need between 320,000 and 370,000 total advisors to meet demand by 2034.

This is the fundamental challenge wealth managers are facing. Addressing it will require a holistic approach that includes enhanced recruitment (targeting both inexperienced and experienced

Exhibit 2

The advisor shortage can be addressed through increased talent attraction and development, and productivity improvements.

US advisor supply and demand by 2034, thousands of advisors



Note: Values are estimates.
Source: McKinsey analysis

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hires), a redefined advisor operating model with greater productivity, and well-designed succession solutions (Exhibit 3).

Recruitment of new-to-industry advisors

Two segments in particular represent the best options for attracting new advisors: entry-level talent and career switchers. In both cases, improving the value proposition of a career as an advisor will be critical to success.

Improving the value proposition of the advisor career path and development model for entry-level talent

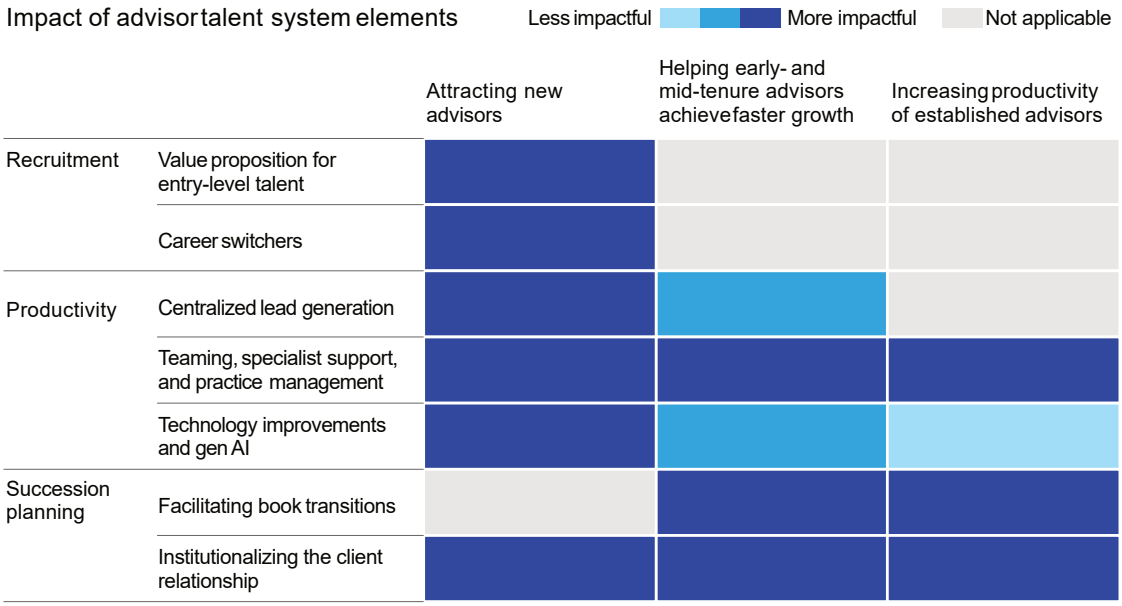
New, inexperienced hires are an important and increasingly diverse talent pool. Women, who are becoming the primary decision-makers for more US families, are underrepresented in the advisor population, according to our annual North America Wealth Management Survey. Firms that recognize this and take steps to attract more female advisors will have a competitive advantage. In addition, each year, more than three million undergraduate and one million graduate students enter the US workforce, with women accounting for nearly 60 percent of the graduate pool[7] (versus 15 percent of the current advisor population).

Today, only a few large wealth management firms pursue on-campus recruiting, structured internships, and rotational programs to attract top talent. Partially as a result, *financial advisor* does not seem to be a top-of-mind profession for most students. Some progress has been made;

[7] Melanie Hanson, "College Enrollment & Student Demographic Statistics," Education DataInitiative, December 21, 2024.

Exhibit 3

An advisor talent system can increase advisor numbers and unlock productivity.



Source: McKinsey analysis

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for example, the CFP Board in September 2024 launched a campaign aimed at promoting financial-planning careers to high school and college-age students. Still, more can be done.

Peer industries, like investment banking, consulting, and increasingly, private equity, have institutionalized recruiting for internships and entry-level jobs from top undergraduate and graduate programs. These similarly high-paying industries offer a clear value proposition and career path for entry-level roles. Meanwhile, wealth management's predominantly sales-based commission model makes the industry less appealing and sometimes daunting for many young recent grads. Models that can help attract a broader spectrum of talent include reimagining the entry level (for example, as a team member versus as a solo practitioner), developing clearer career pathways, articulating the near- to midterm career value proposition, and ensuring a competitive level of guaranteed income at the outset. The resulting talent pool can be enrolled in rotational programs for better-matching career paths (business development, service-oriented, or specialist roles) and, in turn, a better success rate. Wealth managers who are a part of larger financial institutions can improve partnerships with other business units (say, investment banking and asset management) on rotational programs to attract, retain, and develop talent across the enterprise.

Wealth management firms should also not shy away from hiring junior advisors exiting one of the major advisor development programs. In many cases, individuals who "dropped out" simply may not have found the right fit at a given firm—for example, pursuing more sales instead of being service oriented. These candidates could excel in a different firm and culture and may have already obtained the requisite licensing and basic training.

US direct brokerage platforms are a bright spot in the talent arena, having shown early signs

of success with a more bifurcated sales and servicing approach. All told, our analysis suggests that these firms have trained over 5,000 new advisors in the last five years. These platforms are emerging as leading talent developers, particularly with a new breed of advisors: young Certified Financial Planners (CFPs) focused on client service rather than sales. One direct brokerage, for example, added about 300 additional CFPs to its ranks in 2023, a 100 percent increase.[8]

Tapping into new sources of talent by targeting career switchers

Beyond recent graduates, firms should look to tap new sources of talent. Career switchers can be divided into three distinct—but sometimes overlapping—segments, each with intrinsics or expertise required to be a successful advisor. These segments include adjacent financial services professionals with client service experience (for example, CPAs, trust and estate professionals), professionals from other industries with strong consultative sales skills (such as software sales), those with strong relationship skills (say, white-glove client service reps, executive assistants, and veterans). Additionally, wealth management companies can do much more to tap the skills and experience of women looking to change career paths. Wealth management firms with bifurcated sales and service models are better positioned to accommodate a broader range of talent profiles and skill sets. And establishing clear roles that cater to either entrepreneurial or empathetic profiles can attract a broader set of potential advisors.

Rethinking the advisor operating model to unlock productivity

Recruitment is unlikely to be enough. To address the advisor shortage, wealth managers must continue to invest in and increase the productivity of all advisor segments. The industry has made some progress in this direction, but a deeper rethinking of the advisor operating model and allocation of time is necessary.

In particular, the industry needs to significantly improve lead generation, teaming, and practice management (optimizing skills of team members, increasing specialization and leverage), and the use of technology enabled by gen AI (a focus on value-add activities and removal of tedious, low-value tasks). We estimate that these levers can increase advisors' capacity industry-wide by 10 to 20 percent on average over the next ten years, equivalent to adding 30,000 to 60,000 advisors at 2024 productivity levels (Exhibit 4).

Centralized lead generation

Centralizing lead generation could free up 3 to 4 percent of advisor capacity by reducing the amount of time advisors spend on prospecting for new clients. The impact would be even greater for early- to mid-tenured advisors, who spend an average of 50 percent more time on prospecting than established advisors do on prospecting. On average, advisors currently spend approximately three hours per week prospecting for new clients.[9] Prospecting activities include creating a social media presence, developing marketing collateral, hosting webinars and dinners, networking, screening prospects, generating proposals, and closing clients.

Aiding advisors with prospecting can involve several approaches across the sales funnel:

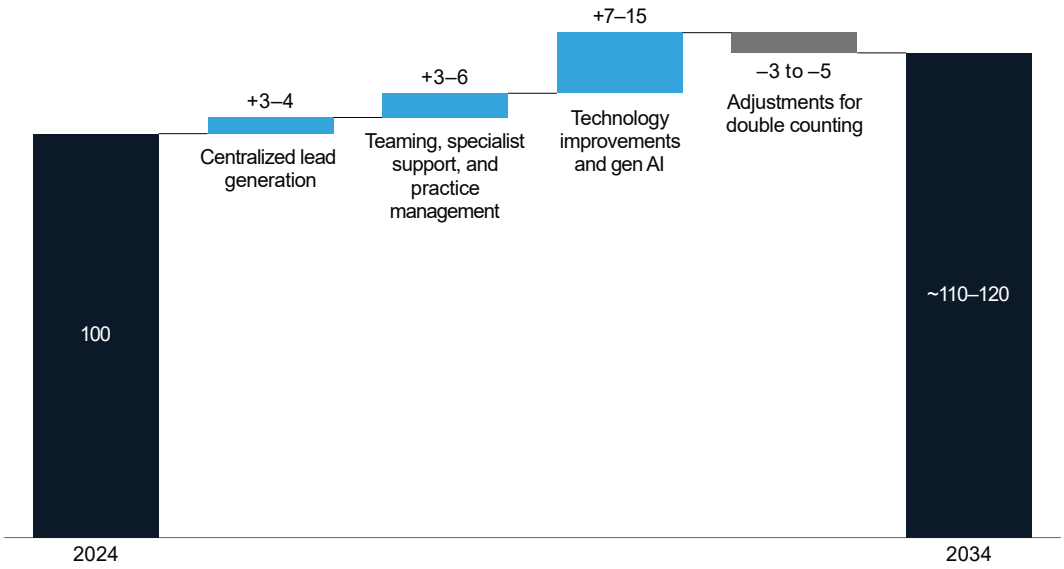
— *Awareness and lead generation.* Expand the scope of a centralized marketing team to include boosting awareness and consideration, developing sales collateral, networking at local events, and creating tailored value propositions and pitches. Smaller firms can outsource centralized marketing efforts to ad agencies or lead generation firms such as referral networks to free up advisor capacity. Firms with diversified businesses (for example, recordkeeping, retail banking) can drive awareness centrally through targeted ad campaigns. Large platforms can leverage their scale for centralized top-of-funnel marketing activities (for instance, paid media or search engine optimization) for more efficient

[8] "Major financial firms drive growth of CFP professionals," CFP Board news release, February 13, 2024.
[9] Andrew Blake, *U.S. advisor metrics 2023: Specializing for growth and differentiation*, Cerulli Associates, 2023.

Exhibit 4

Advisor productivity improvements have potential to reach approximately 10 to 20 percent over the next ten years.

Advisor productivity (defined by advisor's book size), %



Note: Values are estimates.
Source: McKinsey analysis

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marketing spend. Affiliate marketing firms are proliferating to provide scale to boutique managers.

— *Lead qualification and handover.* Some firms have experimented with hiring business development representatives or brand ambassadors to conduct needs assessments and initial screenings, improving the quality of prospects at a lower cost. Other options include simpler, shorter digital intake forms and enrichment of prospect data with third-party sources to improve lead-scoring capabilities.

— *Lead closing.* A few firms have hired dedicated closers—licensed sales talent trained in selling and negotiation techniques—to maximize conversion of prospects. Others have had senior advisors shift their focus to sourcing and handing off new clients to junior advisors.

Regardless of the methods a firm chooses, a more thoughtful and innovative approach to lead generation can improve profitability, support recruitment, and provide access to new sources of talent:

— *Enhanced profitability.* With fewer advisors focusing on new-client sourcing, firms can increase profitability through lower compensation costs (due to lower payouts on clients sourced and prequalified by the firm) and faster growth trajectories for new recruits and early-career advisors.

— *Advisor recruitment support.* Ensuring access to a steady lead flow is an important currency for recruitment, as it can accelerate growth for early- and mid-tenure solo practitioners, as well as teams that tend to be more effective at converting leads.

— *Access to new talent sources.* Wealth managers with a bifurcated sales and service model can be more attractive for profiles such as career switchers interested more in business development than in servicing roles, as described earlier.

Teaming, specialist support, and practice management

Advisors working in teams inclusive of specialists not only are more productive but also tend to grow faster, create deeper relationships, and achieve greater asset retention and customer satisfaction ratings. Advisor teaming creates value in several ways: optimizing use of skills, establishing mutual accountability, clarifying and improving career pathways and development of younger advisors, increasing leverage, co-managing relationships, enabling specialization, better navigating intergenerational transfer, and establishing clear succession plans, ultimately facilitating a more robust client service model.

Teaming benefits are especially pronounced for attracting, developing, and retaining new advisors. Many mid-tenure advisors attribute their success in early years to mentoring and apprenticeship provided by senior advisors. Greater specialization within teams also helps, as new advisors can follow their passion, whether it is planning, asset gathering, or other aspects of the work. At the same time, younger advisors are more likely to adopt new tech solutions and, in turn, boost adoption among the more established and potentially tech-wary advisors on their team, making them more productive.

According to PriceMetrix by McKinsey, advisors on teams tend to have practices that are about 20 percent larger than those of solo advisors. Currently, 59 percent of wirehouse and national/regional broker–dealer advisors work on teams. When extrapolated to apply to the broader industry, continued adoption of team-based models could unlock 3 to 6 percent of advisor capacity, assuming 25 to 50 percent of solo advisors switch to a teaming model.

In addition to teaming, firms should explore more centralized specialist profiles (for example, tax, insurance, legacy planning) and support roles (account opening, money movement, inside sales) to help maximize advisor time spent with clients. Unlocking this capacity will not be easy because most advisors open to teaming are already on teams. However, with the right infrastructure (particularly practice management support), management focus, incentives, and new talent, significant gains are achievable.

Technology improvements and gen AI

Gen AI could be a once-in-a-generation opportunity for wealth managers to increase the productivity of their advisors. It is already being deployed in the industry to create and synthesize meeting notes, draft financial plans and client proposals, support compliance reporting, and serve as a virtual assistant.

According to our estimate, even a 30 to 40 percent average advisor adoption of more wealth-management-specific gen-AI-enabled tools and processes across the value chain and across the full advisor population by 2034 can deliver 6 to 12 percent of time savings—and, in turn, increase advisor capacity. Gen AI can have an outsize impact in areas such as the following:

— *Preparing for client meetings.* Gen AI can rapidly synthesize information from various sources and prepare advisors for meetings with an overview of a client's portfolio, recent investments, relevant market insights, and suggested topics for discussion. After meetings, gen AI can streamline follow-up documentation and action items by transforming notes into organized summaries integrated with customer relationship management systems.

— *Creating financial plans and proposals.* Advanced analytics techniques like optical character recognition and robotic process automation, combined with gen AI, can automate the development of financial plans

tailored to individual client needs while simulating multiple scenarios based on different economic conditions, investment choices, and personal life changes, helping advisors understand potential outcomes and deliver more informed advice.

— *Managing day-to-day operations, administration, and compliance.* Chatbots and virtual assistants (AI task organizers, next best action) not only save advisors time on knowledge management; they also enable financial advisors to provide 24/ 7 client service, which can boost client satisfaction and engagement without increasing workload. Gen AI can also streamline risk and compliance processes, enhance fraud monitoring by identifying suspicious patterns, and improve compliance monitoring with policy bots that update advisors with the latest regulatory changes.

— *Conducting investment research.* Advisors can now process large volumes of financial data more quickly, generating deep insights into market trends, client portfolios, and economic conditions. In addition, using machine learning algorithms, gen AI can analyze portfolios, rapidly draw implications of current events, and help advisors make more informed decisions and provide insights and advice to clients.

Beyond gen AI, firms can improve advisor desktops and client experience, automate manual processes, and streamline the advisor workflow. Tech innovation and workflow automation can integrate point solutions and foster development of intuitive advisor workflows, reducing the need for advisors to switch across multiple screens, manually enter data, and deal with servicing issues. We estimate that these enhancements can unlock an additional 1 to 3 percent of advisor capacity.

Succession planning

Succession planning does not contribute directly to the growth in advisor capacity, but it is critical for retaining assets and scaling the practices of the next generation of advisors. Currently, 32 percent of investors switch firms when their existing advisor leaves for retirement or other reasons, according to our survey of affluent and high-net-worth investors.

To improve the retention of client assets, wealth managers can adopt two approaches:

— *Facilitating practice transitions.* Today, wealth management firms are enhancing their succession-planning strategies and broadening the options available to advisors to include codified transition approaches within existing advisor teams, matchmaking services for junior–senior advisor teaming focused on succession, development of an internal marketplace for advisors to buy practices, providing capital to mid-career advisors to acquire practices, and increasing retirement packages to prevent the flight to independence.

— *Institutionalizing the client relationship.* Although advisors continue gravitating to independent operating models, the industry risks client loss when independent advisors retire with no succession plan. Institutionalizing client relationships beyond individual advisor relationships will not only boost client retention but also improve client experience. Fortunately, the levers that help institutionalize clients are the same as those that improve advisor productivity. For example, employing teaming strategies and specialist support allows clients to form connections with multiple advisors and specialists within the firm, mitigating the risk of client loss when individual advisors retire or depart for other reasons. Similarly, implementing centralized investment management or capturing lending share of wallet shifts client trust from individual advisors to the firm itself.

The industry is facing a monumental challenge—addressing a 100,000-advisor capacity shortage over the next ten years—with no easy solution. Wealth managers will need to focus on attracting

new talent to the industry, helping them be more productive and successful, and further increasing productivity of the mid-career and established advisor population. Meeting the growing client demand would not only benefit the industry economically but also help it fulfill its mission of helping American families secure their financial futures.

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