

TOP READS ON INCENTIVE COMPENSATION

Incentive compensation management is a fundamental business enabler that it is critical to driving business performance, growth and profitability in wealth management and financial services businesses. For these businesses, conditions have changed a lot over the past few years and that change is far from over.

Increasingly, profitability leverage rests in the front office. Digital technology is penetrating deeper into financial services organizations, regulations are shifting and new business models are emerging to respond to changing markets. Approaches and tools for effective and impactful incentive compensation management need to evolve too.

Here are seven articles we have come across that stand out as sources of valuable insight into the most current thinking about incentive compensation in the financial industry. Please share any feedback on these and we welcome your suggestions if you think we've missed any.

1. [HOW TO DESIGN AN EFFECTIVE COMPENSATION SYSTEMS THAT PROPERLY INCENTIVIZE ADVISORS AND WEALTH MANAGEMENT FIRM EMPLOYEES](#)

In this podcast, Kelli Cruz, founder of Cruz Consulting Group, shares her insights with Michael Kitces on managing talent and incentivizing advisors to perform at their best. The podcast tackles some of the human resources problems associated with growing advisory firms and how best to structure incentive compensation. Towards the end of the podcast, Kelli explains why she believes that the traditional model of paying advisors a percentage of revenue for the clients they manage is a fundamentally unsustainable model for advisory firms that ever hope to scale.

2. [ADVISER INCENTIVE COMPENSATION AND STAFFING STUDY](#)

This 13-page study from Investment News examines the trends of slow company growth in the face of rising compensation for advisors and executives in wealth advisory firms. "Finding success in this competitive environment depends on carefully managing the details," the report concludes.

3. [SALES COMPENSATION: IS IT TIME FOR CHANGE?](#)

A good read from Johnson Associates. This article concludes that sales incentive compensation practices are no longer ideal and are, in fact, limiting growth. "The legacy practice of defaulting to and replicating standard sales commission models has limited flexibility, sub-optimized alignment, and clearly hurt several firms in their mission to gain market share." Must read!

4. [HOW COMP AND INCENTIVE CHANGES ARE REALLY AFFECTING ADVISORS AND THE CLIENTS THEY SERVE](#)

Currently, advisors are undergoing a cultural shift, where they try to exercise flexibility and freedom, but firms are prioritizing profit. "So as firms battle to retain control in an attempt to maximize profit by valuing quantity over quality, advisors are voting with their feet in search of a place where freedom and flexibility are part of the culture and vision of the organization." Excellent article from Diamond Consultants.

5. [RETHINKING EMPLOYEE COMPENSATION](#)

This article discusses the complexity of devising an incentive compensation program that fits the culture of the firm and reviews different compensation strategies that a firm can. For those who are struggling with the details of what an innovative incentive compensation program looks like, this is a good read.

6. [WHY ARE SO MANY ADVISORS LEAVING WIREHOUSES?](#)

There is a growing issue of advisors leaving wirehouses for greener pastures. In part, this can be traced to the “penalty box” treatment of lower-level producers. But it’s not always about the money and higher producers are also moving – and the wirehouses just can’t get their heads around that.

7. [FOUR C’S OF INNOVATION](#)

While not exactly an article on incentive compensation, Scott Bales provides an excellent overview of the four criteria (all beginning with the letter ‘c’) that foster real innovation in businesses. To which we could add a fifth C: compensation.

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