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This year has challenged us all for a number of reasons, from the pandemic caused by COVID-19 to the effects of the national racial reckoning. In fact, the unprecedented pandemic has highlighted the importance of personal financial advice. It has been so inspiring and uplifting to see firms and individuals alike rise to meet the challenge of increased demand and to provide services to consumers who need the peace of mind that results from sound financial advice.

The financial planning profession is full of opportunity, but barriers prevent us from unleashing its maximum potential. We face an impending exodus of employees as the financial planner workforce continues to age and retire. And the profession's underrepresentation of women and people of color highlights the work required before we meet the opportunity to work with and empower women and communities of color, who are the demographic engine of the nation's progress. Racial, ethnic and gender diversity are crucial to the sustainability of the financial planning profession, but we will only be able to court, recruit and

retain people from these communities if we are intentional in our diversity, equity and inclusion (DEI) work. The national racial reckoning also presents an opportunity for the profession to show up for people of color and stand in solidarity with them.

Since 2018, the Center has published two thought leadership pieces on racial and ethnic diversity:

1. [*Racial Diversity in Financial Planning: Where We Are and Where We Must Go*](#), and
2. [*Why Diversity Matters: How Workforce Diversity and Inclusion Accelerate Business Success in Financial Services*](#)

This year, the “virtual” Diversity Summit is focused squarely on action and real-world impact, with a theme of “Sustainability,” highlighting metrics-driven, long-term DEI initiatives. This year’s thought leadership paper is a compilation of a series of case studies from a select number of firms that outline their current initiatives aimed at

increasing racial and ethnic diversity and share advice on how others can replicate and scale efforts to diversify their own workforces. The paper was authored by The Raben Group on behalf of the CFP Board Center for Financial Planning with input from the Diversity Advisory Group. This publication serves two purposes:

1. to showcase the work being done across the financial planning profession; and
2. to deliver scalable insights for readers to be able to replicate that work themselves.

The case studies underscore the need for individuals, firms and the industry to transition from talk to action. We are grateful to the firms featured in this paper for sharing their experiences and advice. We are able to do

all of this work with the support of our 2020 Summit sponsors, starting with our premier sponsor Merrill Lynch, our major sponsor J.P. Morgan Chase, our signature sponsors Ameriprise, Edelman Financial Engines, and Morgan Stanley, and our supporting sponsors FP Transitions, FacetWealth and Prudential. We also want to express our continued deep appreciation to the Center's lead founding sponsor TD Ameritrade Institutional and our three founding sponsors, Northwestern Mutual, Envestnet and the Charles Schwab Foundation.

We invite all those invested in the future of the financial planning profession — including our CFP® professionals, our education partners, firms that employ CFP® professionals, and other organizations and associations — to join us in our continuing effort to attract and retain more Black and Latino CFP® professionals.



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EXECUTIVE SUMMARY

It is imperative that the financial planning profession work toward expanding and diversifying the ranks of its professionals who can meet the needs of increasingly diverse consumers, especially as consumer demand for financial advice grows amid the pandemic. As racial inequities are being exacerbated by the pandemic and the United States is in the midst of a racial reckoning, we must ask ourselves what we can do as individuals, as firms, and as a profession to advance a more inclusive and diverse society. Therefore, this publication serves two purposes: to showcase the work being done across the financial planning profession and to deliver scalable insights for readers to replicate.

The case studies in this thought leadership paper exemplify the success of best practices across firms of a variety of sizes and models. They highlight different tactics that have helped these firms pursue a more diverse and inclusive workforce. More than anything, the case studies demonstrate the importance of co-creation in every diversity, equity, and inclusion (DEI) journey, strategy, and tactic. In fact, a 2016 Harvard Business Review article by Frank Dobbin and Alexandra Kalev found the most common top-down efforts typically go wrong.² The authors found that applying the following three basic principles yielded consistently positive results: engage managers in solving the problem, expose teams to people from different groups, and encourage social accountability for change. This research confirms what our case studies show — that tactics focused on control are less effective than those that invite people to contribute.

Below is a list of initial recommended steps that are building blocks for an organizational journey to develop an effective DEI strategy:

TAILOR TO YOUR FIRM

Determine how DEI aligns with and strengthens the firm's mission and values so the work can be sustainable long term. The granularities are important.³

DEVELOP A MISSION AND VISION STATEMENT

Commit to paper why you are doing this as a firm, why it is important to you, and what your vision is.⁴

ENSURE LEADERSHIP COMMITMENT

The prioritization of DEI work needs to come from executive management to underscore its importance. Executives and senior leaders must be authentically committed; invest their time in learning and education, along with accountability; and ensure that sufficient resources are available for multi-year work.

DEVELOP A STRATEGY

Create a strategy with goals and tactics that support your mission and vision statement. These will guide implementation plans and metrics.

ESTABLISH AND TRACK METRICS

Be clear about what success will look like. Based on your strategy, develop and track metrics ranging from the demographic composition of staff to inclusion competencies in every employee's annual performance review. Create and maintain a dashboard of these metrics and measures to support accountability at all levels.

ENGAGE EMPLOYEES

Invite feedback and contributions from all employees across the firm. This creates buy-in, transparency, and trust, especially from people impacted by racism.⁵

EVALUATE

Use surveys and questionnaires that allow you to evaluate where your firm stands and create a baseline, understand where there is room for growth, and track progress.

Once the above initial work is in process or has been accomplished, firms can then build out the infrastructure to support their DEI journey. All firms, no matter the size, should and can start somewhere. Below are a few tactics that can be scaled based on a firm's circumstances:

DEI Officer. Create the position of DEI officer/manager/director which reports to the president/CEO of the firm. This role will serve as a leader, advisor, advocate, catalyst for change, and institutional resource focused on infusing DEI into all programs and activities, tracking progress toward these goals, and communicating progress to an engaged community.

Budget. Set aside a substantial financial commitment that is earmarked for DEI including implementing best practices, improving trainings, and building external partnerships. Eventually, the budget should expand to also make additional hires in the [DEI office](#).⁶

Councils/Task Forces. Ensure that there is a body that can steward all of the DEI work and that it reports to the CEO or management so that there is leadership buy-in. This also promotes social [accountability](#).⁷

Data. Collect and use demographic data as a baseline measure of where the firm is and to establish where it wants to be. Identify and gather qualitative and quantitative data for all stages of the DEI work.

Employee Resource Groups (ERGs). Form ERGs — voluntary, employee-led groups that foster an inclusive workplace. ERGs can contribute to organizational objectives and influence [business decisions](#).⁸



With this thought leadership paper, we also are sharing tactical best practices for when a firm is further along its journey. Standout tactics include:

Competencies. Create and hold employees accountable for inclusion and equity competencies.

Motivators. Provide incentives, such as awards in the form of financial resources or accolades, which can help motivate employees to engage and maintain DEI work.

Education. Offer continuous training and learning opportunities for employees to share knowledge and gain educational experience.

Recruitment Strategies. Tailor metric-driven recruitment strategies to help target outreach and recruitment efforts.

Mentorship. Develop mentorship programs to develop a pipeline of employees and increase diversity at managerial echelons — on average these programs boost the representation of Black, Hispanic, and Asian-American women, and Hispanic and Asian-American men, by [9% to 24%](#).⁹



Provided by Northwestern Mutual, HoyleCohen Wealth Management, Merrill Lynch Wealth Management, Wetherby Asset Management, Fidelity Investments, Charles Schwab & Co., Inc., the case studies in this paper underscore how these firms not only understand the business case for diversity but have thrived because they embedded it so intricately in their work. Below are some of the lessons learned that are shared in the case studies:

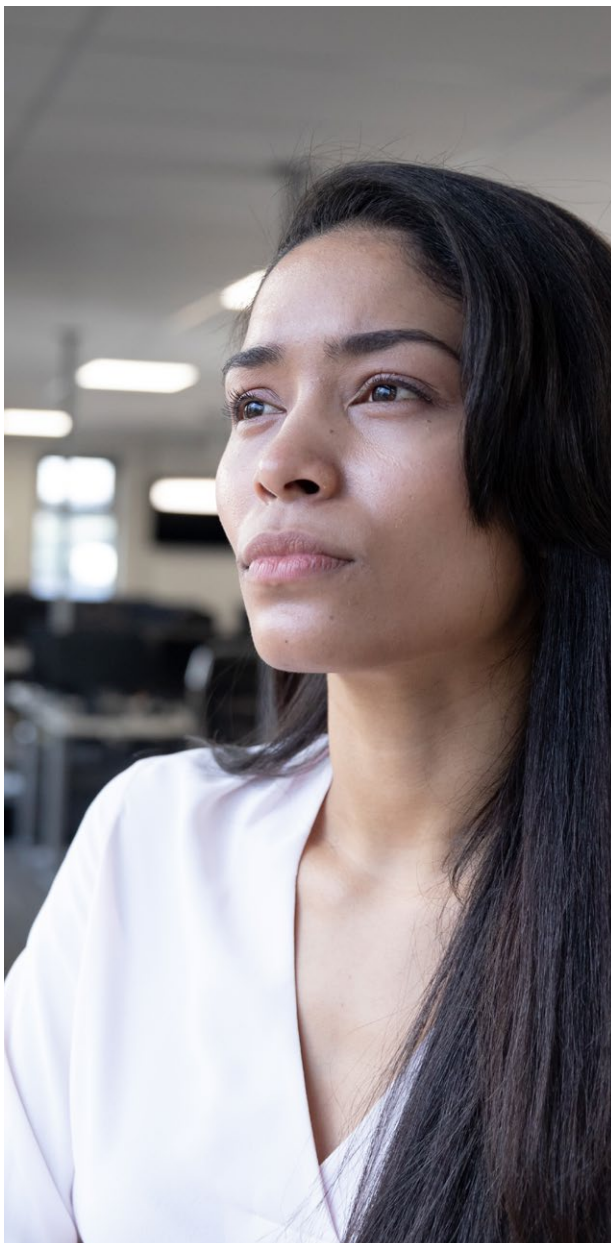
Deliberate and intentional change foster community, inclusion, and belonging.

Intentional efforts can create an inclusive environment for diverse employees. Building community through ERGs, study groups, or special events creates unique opportunities to drive conviction and build confidence. They are also a clear demonstration of a firm's commitment to creating a culture of inclusion. Many of these firms have been effective in enacting change within their organizations because they were intentional in identifying barriers, creating solutions that address them, and holding leadership accountable for individual behavior and firm-wide practices.

- **Conduct an internal audit.** Undergo an internal assessment to better understand both employee work culture trends and demographics. This assessment provides a baseline of current workforce diversity as well as a diagnostic tool moving forward.
- **Prioritize retention.** While it may be easy to simply focus on recruitment efforts for diverse candidates, the failure to create an inclusive workplace culture where new employees feel safe and empowered to bring their best selves risks lower productivity and higher turnover rates.
- **Investing in employees accelerates diversity and growth.** Firms are only as strong as their employees. Invest in your employees today to reap the rewards later.
- **Communication and transparency are integral to the DEI journey.** Use the channels of communication at your disposal to inform employees of resources available to them and to raise awareness of initiatives.
- **Formalize collecting input.** Create opportunities to gather ideas, perspectives, and recommendations from those inside and outside of the DEI committee through forums and events.
- **Combat implicit bias.** Provide unconscious bias and inclusion training and implement initiatives that cultivate inclusive environments.
- **Evaluate hiring pathways.** Find ways to improve the retention and professional development of all employees by evaluating hiring and promotion practices.
- **Lean into technology where applicable.** Use technical tools where they're helpful and useful — such as using machine learning for job descriptions to ensure job descriptions and requirements are inclusive and non-biased.
- **Foster allyship.** Allies can play a critical role in DEI efforts without placing the burden on underrepresented communities, but they need to realize that being an ally is an ongoing process. Foster a community of allies by sharing resources to help them better understand how inequities can permeate all facets of society.

Track progress. Review existing policies to evaluate where you are supporting a more inclusive environment and where you are inadvertently creating challenges.

- **Insight around data helps prevent assumptions.** Couple quantitative data with qualitative findings to understand how these initiatives affect employees. This helps avoid biases or assumptions that can emerge from looking at the data alone.



Develop internal tools and resources. Internal resources for employees with actionable tips, insightful examples, and convenient forms and templates can help strengthen opportunities for recruiting, hiring, and retaining ideal candidates.

Flexibility is crucial. The ongoing pandemic has affected many companies and moved many industries, including ours, to the virtual space. This global phenomenon underscores the importance of DEI work being flexible and adaptive to be able to address the people-centric challenges that have emerged. While it is tempting to respond to uncertainty and financial pressure by deprioritizing or scraping DEI programs altogether, such decisions will be a detriment to your organization in the long run. DEI can be the means by which your organization not only survives this crisis but comes out stronger and more [strategic](#).¹⁰

Field integration is key. Co-creation and shared ownership of DEI strategies are essential for sustainability.

Support industry advocacy. Share internal demographic data to track progress and invite more peers in the industry to follow suit. Transparency and accountability will lead to greater recruitment and retention rates.

Build and develop external relationships of support. Partnerships with influencer organizations that are led by and serve people of color, professional associations serving people of color, and student associations can help promote the career opportunities available to diverse pools of talent.

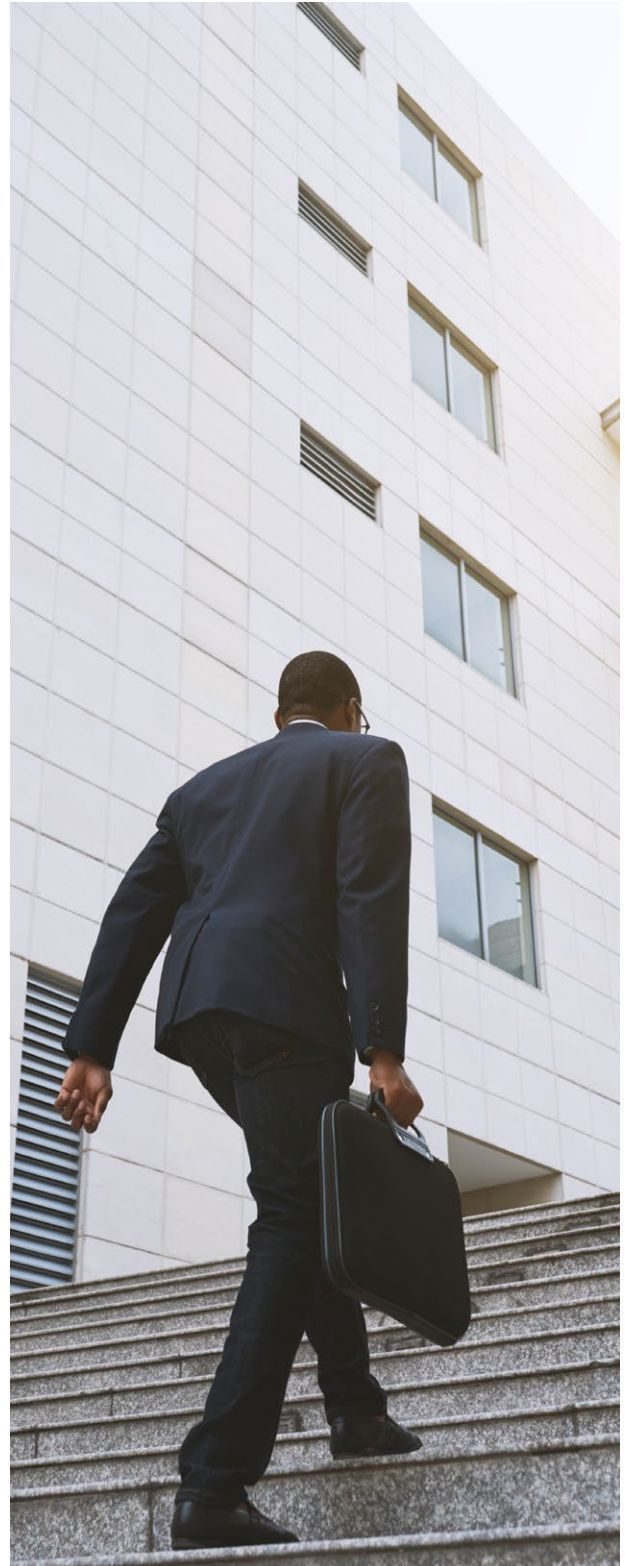
Embed DEI into client strategies. ERGs have also become a place where firms can test and inform the design of their products and services. They provide insight into the utility of programs for certain populations. These spaces can help identify gaps, inform client strategies, and better position a firm to serve diverse populations.

Support communities. Make a positive impact on the communities where you live and work. Supporting community organizations serving local and underrepresented communities can help a firm broaden both its diverse talent and client pool.

Listen to external assessments and accolades. Assessments and awards from organizations with meaningful standards for diversity and inclusion allow firms the opportunity to learn how they are viewed externally. These can help identify gaps, highlight opportunities for growth, and showcase strengths.

Recognize how the pandemic is affecting everyone. Stress and anxiety have dramatically increased during the pandemic. This can exacerbate mental health issues, which, coupled with civil unrest, can make it challenging for many to remain productive. Recognize this reality and highlight more support mechanisms to help employees cope.

Small steps prepare us all for the giant leaps ahead. Embedding inclusive practices into all levels of decision-making to create and sustain long-term momentum takes time and effort. While starting off a DEI journey may seem daunting, small steps can help set the foundation for a successful journey.



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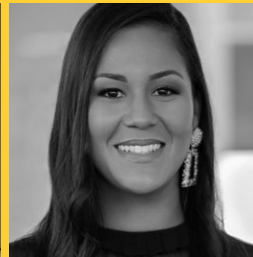
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INTRODUCTION

The CFP Board Center for Financial Planning (Center) seeks to create a more diverse and sustainable financial planning profession so that every American has access to competent and ethical financial planning advice. Over the past three years, the Center has published [original research](#)¹¹ and literature reviews that explore the barriers, root causes, and potential solutions to the significant diversity gap in the advisor workforce. Previous thought leadership papers have presented findings, examined their implications and recommended research-based actions for increasing diversity in the profession. This year, the Center has decided to focus on the sustainability and replicability of these initiatives. This paper presents case studies from select firms that outline their current initiatives aimed at increasing representation within their walls, and, perhaps more importantly, how others can replicate and scale these efforts to diversify their own workforces.

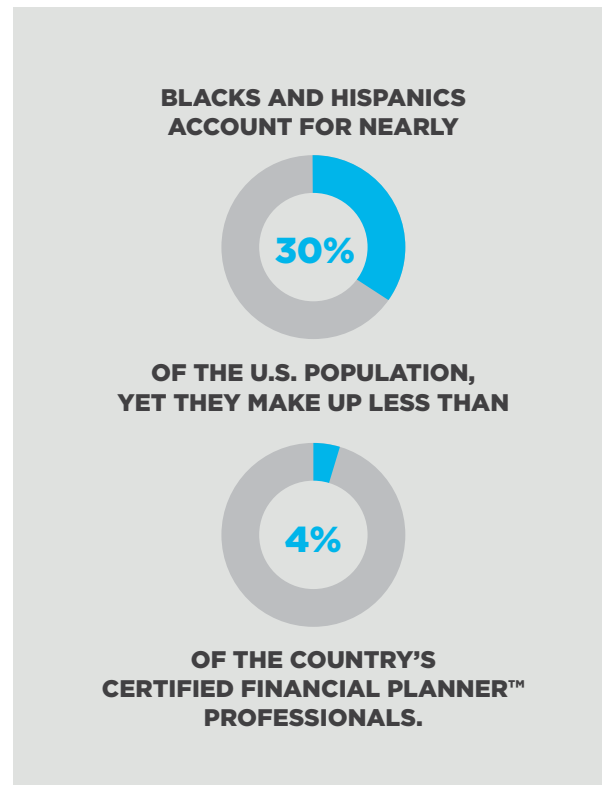
Greater diversity, including race, ethnicity, gender, and sexual orientation, is crucial to the sustainability of the financial planning profession due to the shifting demographics of the country. [The business case for diversity](#) has been proven endlessly. Diversity leads to stronger sales revenue, customer growth, greater market share, and higher profit levels. We know this. We have all seen how diversity leads to stronger overall financial performance. The case studies in this paper underscore how these firms not only understand the business case for diversity but have thrived because they embedded it so intricately in their work. For many of the firms we highlight in this paper, DEI strategies do not exist as standalone initiatives but instead are threaded into their overall strategy, and many of them attribute their employees' and customers' satisfaction, innovation, and financial growth to this deep integration.

Of course, this has not always been the case for our sector. For years, the industry has been complacent in maintaining the status quo. Systemic racism and oppression can be so pervasive that, whether the result of conscious or unconscious actions, they have deprived people of color of the opportunity to build generational wealth. The recent social uprisings against systemic racism demonstrate how these issues continue to pervade all aspects of society today.

Many in the sector that have upheld the status quo in the past are now choosing to acknowledge their complicit behavior and enact measures to address inequalities and discrimination. They have implemented policies and measures designed to enhance opportunities for employees who have previously been impacted by these issues and provide opportunities for more people of color, women, and other traditionally marginalized individuals to see the financial planning profession as a viable, inclusive, and beneficial career.

In 2015, CFP Board recognized that to address the lack of racial diversity in the financial planning profession specifically, it needed to craft solutions to address root causes, beginning with establishing the Center. Many of these solutions have already resulted in preliminary gains. The number of Black and Hispanic CFP® professionals grew 12% last year — the highest increase ever, according to CFP Board. Despite last year’s gains, there are still only 3,259 Black and Hispanic CFP® professionals in total — less than 4%¹² of the 87,784¹³ CFP® professionals versus nearly 30% of the country’s population.

Especially within the context of the pandemic and the national racial reckoning spotlighting racial disparities, the absence of diversity is felt in our everyday lives. Our current historical circumstances present an opportunity for us to ask ourselves what we can do as individuals, as firms, and as a profession to advance a more inclusive and diverse society.



Against that background, this publication serves two purposes:

- 1 Highlight a compilation of case studies that illustrate sustainability through metric-driven accountability
- 2 Deepen the industry conversation from talk to action by providing concrete examples of successful DEI programs in a wide range of financial services firms

We want to note that each firm uses slightly different language to describe their efforts and the demographic data they measure. This is reflected in the case studies below. For a more detailed explanation of terminology used in this paper, see the glossary on page 63.

CASE STUDY ①

NORTHWESTERN MUTUAL

Northwestern Mutual was founded in 1857 on the simple premise that as a mutual company, its sole focus is to maximize value to its policyowners while doing what's best for them long-term. Headquartered in Milwaukee, Wisconsin, the AAA-rated company is represented by over 9,000 financial professionals helping more than 4.5 million clients achieve financial security. This case study focuses on the firm's long-term Diversity & Inclusion vision, as well as the strategy to integrate it into its network and district network offices across the United States.

NORTHWESTERN MUTUAL

Championing Diverse Advisors Across Northwestern Mutual

Over the past eight years, Northwestern Mutual (NM) has made significant progress advancing its long-term diversity and inclusion (D&I) strategy. This comes against a backdrop of challenges for financial services firms. Data from [CFP Board and the Bureau of Labor Statistics](#)¹⁴ affirms women and people of color are severely underrepresented in the industry — women, African Americans, and Hispanics/Latinos represent only 33%, 8%, and 7% of financial advisors respectively. In 2012, NM unveiled details of its commitment and a 15-year roadmap aimed at driving a more inclusive culture for its employees, field representatives, and communities.

Northwestern Mutual’s vision is to be a world-class company driving results through an inclusive culture, where its employees stay with it because it values them, and together they make a difference in peoples’ lives. This vision is grounded in the company’s long-held mutual values and focus on doing right by its people and policyowners.

NORTHWESTERN MUTUAL HAS SIX KEY FOCUS AREAS FOR D&I INITIATIVES ACROSS THE ENTERPRISE:

1

GOAL SETTING TO DRIVE FOCUS AND ACCOUNTABILITY

2

EDUCATION TO DRIVE ACTION BY EMPLOYEES AND FIELD REPRESENTATIVES

3

GROWING DIVERSE PIPELINES OF TALENT

4

SUPPORT AND ADVANCEMENT OF WOMEN AND PEOPLE OF COLOR

5

PARTNERSHIPS WITH THE COMPANY’S GROWING ERGS AND D&I COUNCILS

6

COMMUNITY IMPACT TIED TO NORTHWESTERN MUTUAL FOUNDATION EFFORTS

The following case study presents how NM is executing on its strategy to improve the experiences of diverse advisors and support their advancement in the field. NM has a similar strategy for its corporate offices but this case study focuses specifically on the work the company is doing in the field.

From Company-led Initiative to Galvanizing a Movement

Enterprise D&I efforts led from the top must be sustained by grassroots leadership and initiatives that engage employees at all levels to take action. To this end, NM’s D&I efforts are aimed at galvanizing all individuals – leaders, employees and field members – to be part of the learning and dialogue and take personal accountability for shaping an inclusive culture.

With input from its D&I Councils and Field D&I Committee, the company has launched and invested in meaningful initiatives to advance racial and gender equity to take NM across the phases outlined below.



Gender Equity

NM has historically invested in efforts to advance women across the company, including the growth of women financial advisors and leaders, through a largely corporate-led approach. The company was seeing incremental progress, but the sentiment was that the work could not move fast enough.

The turning point began three years ago when NM convened a Gender Caucus to bring together senior leaders of the company with influential leaders and advisors from the field, both women and men, to discuss what barriers were preventing attracting, retaining, and growing the number of women in the field.

The result was an increase in the level of conviction and a deeper understanding of the unique barriers women face in financial services, and clarity on actions needed to change the trajectory for women's advancement at the firm.

A glaring point was the lack of women represented within NM's Field Association system. Field Associations work with the Home Office through field committees. The Associations offer opportunities for members of each Field Committee to collaborate with the home office on company projects and initiatives. The lack of women among the representatives on Field Committees inadvertently limited the company's point of view on priorities important to its field force.

Based on those findings, the company made the decision to invest in launching a Women's Field Association (WFA) to partner with the other Field Associations and the Home Office to provide input on company priorities. The WFA was built by and for the field to create three important assets for the

system: (a) a self-driven women's advocacy arm, (b) a mechanism for communicating directly with women on issues important to them, and (c) a community for growth, development, and relationship building.

To complement this work, NM focused on creating programs and initiatives designed to achieve the following key outcomes:



NM also developed guides and best practices to help women advisors and field leaders navigate the business challenges around family planning, such as short-term disability income coverage, a return to work allowance, and a concierge of parental coaching services.

These examples are illustrative of the pivots NM was able to make to advance its D&I strategy beyond a corporate-led initiative to one that is grassroots and inclusive of the diverse groups it aims to serve.

Racial Equity

In response to the racial gap in the industry, NM created a Sustainable Action for Racial Equity (SARE) task force to ensure that their efforts were actionable and ongoing. While NM's D&I work predates the creation of the task force, Chairman, President, and CEO John Schlifske felt compelled to convene senior leaders to gain a better understanding of the racial reckoning and to set up NM to be intentional, consistent and impactful in its work moving forward.

The task force meets biweekly and is charged with creating a strategic framework to evaluate and leverage existing work at NM and identify new impactful opportunities to address racism and equity with a focus on the Black/African American community. The task force is focused on the following aspects of D&I work:

- Culture of Inclusion and Respect;
- Talent;
- Business Innovation and Financial Security; and
- Partnership and Community.

Dedicated Teams

NM's Field D&I department is charged with setting the standards, providing guidance, and informing the future direction of the work. The department plays a critical role in prioritizing accountability and ensuring that the firm is implementing its road map in offices across the country.

Offices are then rated as part of the performance management process and get support to help fill in any gaps. While meeting the goals is not required, there

are several incentives for hitting them; this approach is paying dividends as the company is halfway through the overall roadmap.

An example of an incentive is the Diversity & Inclusion Champion Award. In its inaugural year, the Diversity & Inclusion Champion Award recognized offices that are making a visible impact in:

- creating an inclusive work environment;
- attracting and developing diverse talent;
- building a pipeline for growth opportunities; and
- engaging the diverse communities NM desires to serve.

The focus of this award is on progress, meaning every office regardless of size, location, or place in their D&I journey is encouraged to submit and compete for the top honor. The top two offices were recognized during the awards and honors portion of the past annual sales meeting. The winning office received \$30,000 to be used in advancing D&I efforts in their office. The second place office received \$15,000.



KEY TAKEAWAY

There must be a team focused specifically on D&I in the field. The D&I vision can be the same at the corporate and field levels but there will be nuances between the strategies used to implement it that must be considered.

Investing in Leaders Accelerates Diversity/ Growth

NM has made significant investments in its field leaders to build a strong foundation for its D&I work. Across its system, more than 1,000 leaders have completed immersion experiences that help them develop their D&I skills and become better leaders and allies.

The company has 76 network offices around the country and all 76 Managing Partners have committed to taking strategic actions that help drive education and awareness around D&I.

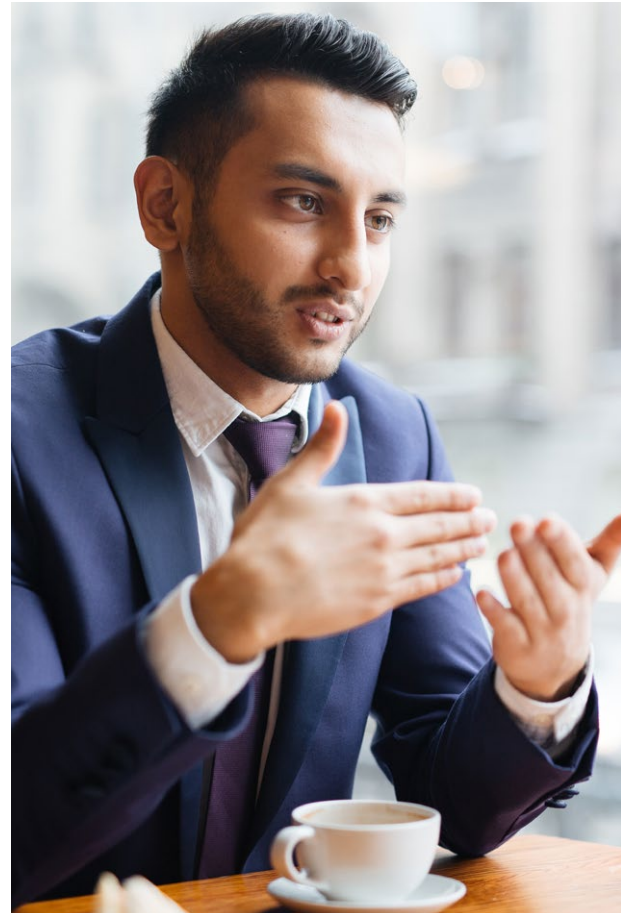
Comprehensive training is targeted to mid- to senior-level field leaders with some form of training embedded at each level of leadership. Since 2015, more than 288 field leaders have taken part in a three-day D&I immersion lab and over 300 mid- to upper-level field leaders have participated in a premier leadership development program focused on inclusive leadership competencies.

Field leaders and financial representatives also have a coaching program available to them to better develop and retain talent. The company continues to mature its integrated corporate internship program and grow its relationships with historically black colleges and universities (HBCUs) for a talent pipeline.



KEY TAKEAWAY

Listening and shared learning are critical first steps towards achieving conviction across the system.



Strong Culture Fuels Momentum Toward Future State

NM is building this culture of inclusivity using a pull and push method. Rather than just dictating the direction from the top down, the company has chosen to listen to and work with its local offices to shape a more inclusive culture.

Every two years the entire field system takes a pulse survey on culture. By analyzing this data, NM identifies challenges and gaps that allow them to deploy resources where they are needed most. Through this system, data drives the firm's D&I endeavors.



Earlier this year, NM launched an award-winning Culture of Respect e-learning module that defined the expectations and elements of an inclusive atmosphere. The module was completed by over 16,000 field members.

NM field offices also have their own D&I councils driving local influence and implementation of company initiatives. These councils provide a foundation to operationalize D&I within local organizations while providing a safe place for dialogue around all things D&I. Office leadership plays an active role in these committees, but the majority of members are financial representatives and staff members.

D&I training is also a part of onboarding new advisors at NM. The Field D&I team and the leadership team merged the developing leaders training and the onboarding training so that candidates undergo an inclusive leadership training on bias, privilege, stereotypes, reaction to difference, and how to have tough conversations — ensuring that its inclusive culture is instilled in employees and representatives from the very beginning.



KEY TAKEAWAY

Co-creation and local ownership of D&I strategies are essential for sustainability.

Deliberate Efforts to Foster Community and Belonging Create an Inclusive Environment for Diverse Advisors

NM's strategy is to ensure that deliberate efforts are taken to create inclusive environments in its field offices across the country.

Segment Advisory Committees

This group of field members provides guidance on the work supporting diverse advisors, including financial representative recruiting and retention strategies, the planning and sales process, training, marketing, and other field-facing activities.

Study Groups

Diverse market study groups provide an environment for diverse representatives to learn and be challenged alongside others who share a similar background and experience. Groups are designed to help representatives reach their business plan goals while maximizing the unique assets they bring to the business and leveraging the influence they have in their communities. The Home Office sponsors study groups that show early potential. The groups' format varies by market. Eligible candidates are under two years of service and complete a fact-finding process to confirm suitability. The current study groups are: African American, Women, Hispanic, and Asian. New in 2020 is also a group called Rising Women — a group focused on helping newer women advisors get off to a fast start.

Diversity Summits

In various regions, segment leaders coordinate two-day summits that provide an open environment for individuals to convene and discuss three themes: conviction, community, and competence.

The Diversity Summits provide professional development opportunities for different segments of the NM workforce to engage around and gain those three competencies through education, networking, and workshops. Registration is required to track attendance and is used along with post-summit surveys to measure the success of the summits.

NM has combined these siloed events for the first time into a multicultural summit so that women and people of color could attend, engage with one another, and learn from each other.



KEY TAKEAWAY

Building community through ERGs, study groups, or special events creates unique opportunities to drive conviction and build confidence. They are also a clear demonstration of an organization's commitment to creating a culture of inclusion.

Final Takeaways

One of the key takeaways for NM throughout its D&I journey is that co-creation with the field is crucial. Early solutions without co-creation were deemed “too corporate” and did not resonate with the independent business owners that are a part of NM’s workforce.

Having advisors at the table from the beginning allows them to emerge with a shared understanding and a shared vision. NM recognized that there needed to be equal voices at the table to not only be heard but have the opportunity to disagree, challenge, and force the firm to go outside of its comfort zone. And, importantly, there should be representation at the field level in everything.



A second, related key takeaway, is that communication and transparency are integral to the D&I journey. NM uses multiple channels to inform employees of resources available to them and to raise awareness of initiatives.

Regardless of organizational size, NM recommends a similar approach to how it guides its local leaders. Build a roadmap, foster D&I councils, coordinate D&I training, and do an assessment of the current state, including representation of the firm and the current demographics of its locations. Involve leadership from the beginning to ensure buy-in and shared understanding.

With these efforts, NM expects to be able to: reflect the communities and clients it serves; develop strong leaders who bring out the best in others; maximize the engagement of its field and Home Office workforces; expand its brand awareness to new markets; and attract, develop and retain top talent.

Build Communities. Inspire Confidence. Go Forward with Conviction.

Northwestern Mutual is the marketing name for The Northwestern Mutual Life Insurance Company (NM) and its subsidiaries in Milwaukee, WI.

Not all Northwestern Mutual representatives are advisors. Only those representatives with “Advisor” in their title or who otherwise disclose their status as an advisor of Northwestern Mutual Wealth Management Company (NMWMC) are credentialed as NMWMC representatives to provide advisory services.



CASE STUDY 2

HOYLECOHEN WEALTH MANAGEMENT



HoyleCohen Wealth Management was founded in 2001 by two experienced wealth management professionals who sought a better way to help high-net worth individuals manage their wealth. An RIA firm, HoyleCohen has since grown to over 40 team members serving more than 1,000 client households.

HOYLECOHEN WEALTH MANAGEMENT

HoyleCohen Wealth Management (HC) has a passion for service and they strive to bring their collective best to their clients. Delivering on this passion requires an environment in which each employee feels valued, included, and empowered to share their own voice and do their best work. They have worked to embrace diversity, promote equality, and practice inclusivity across various dimensions of gender, social, and cultural identities in the spirit of delivering trusted advice and excellent client service.

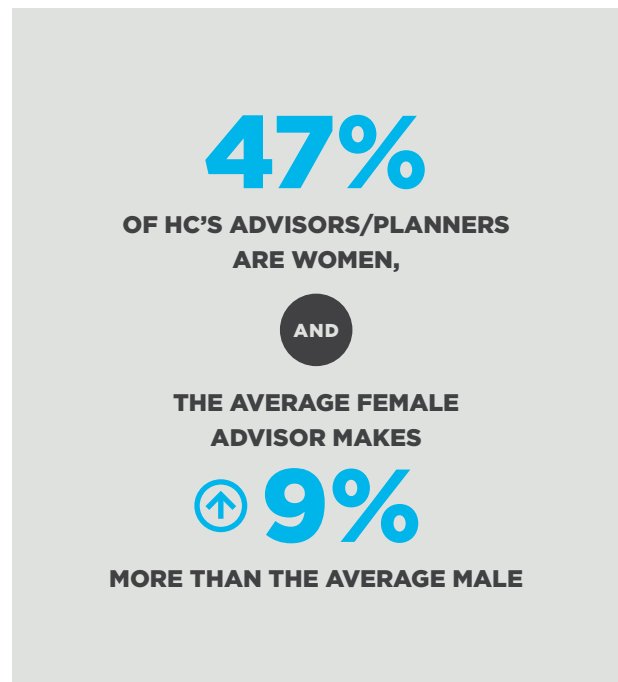
The national racial reckoning has caused HC to take a deeper look at this ethos and how they apply it, beginning with a formal D&I initiative to help them assess how they're doing, and to help them advance further. While they've made progress, they acknowledge that there's more work to do. They are early in the process, but some valuable observations and lessons have emerged.

D&I Committee

D&I has always been an important part of HC's DNA, but they formalized and elevated their D&I initiatives this year by creating a [D&I Charter](#)¹⁵ and launching a six-person D&I Committee with two co-chairs. To raise awareness of their D&I initiatives, they published an article on their website, included it in their second quarter newsletter, and posted it on their website blog along with a link to their internal D&I Charter. While HC is still formalizing their program, they intend to set explicit goals and use metrics on an

ongoing basis, especially since they launched a formal D&I program earlier this year.

Most of the data they have collected to date involves hiring, advancement, and pay. HC chose to focus on those topics because they deemed them valuable metrics that were also easy to measure. The process to develop these metrics included creating a spreadsheet that includes each employee's gender, race, age, role, hire date, compensation, and professional credentials. They simultaneously gathered industry and local demographic data and performed a host of analyses with the internal and external data.



A concrete example of that analysis was figuring out the diversity of their advisors/planners (A/Ps) and their compensation. Through the data collection, they found that eight out of 17 A/Ps are women (47%) and the average female advisor makes 9% more than the average male. When they dug deeper, they learned this happened because women A/Ps have slightly more tenure/experience on average.

The D&I committee's mission is to foster a workplace environment that attracts the best talent, values diversity of life experiences and perspectives, and encourages innovation in pursuit of HC's mission to be the best place for like-minded, high integrity individuals who share a passion for providing, serving and supporting clients and each other to the best of their collective abilities. The D&I committee is led by two co-chairs, with at least one chair being a member of the management team, and both report directly to the CEO to ensure leadership buy-in.

The D&I committee advises senior management and executive leadership in creating, maintaining, and growing a diverse workplace environment. They make recommendations, provide education, and act on behalf of the company with the mission of advancing HC's D&I efforts. The committee members work closely with senior management to ensure alignment with the organization's overall business strategy and to help institutionalize human capital practices that support and accelerate D&I goals. They also help create accountability to measure results, provide oversight on diversity efforts and promote company-wide communication on activities and progress.

HoyleCohen also created opportunities to gather ideas, perspectives, and recommendations from those outside of the committee through D&I forums. These forums are held at least once per quarter and are open invitation events for all firm employees to collaborate with the D&I committee. Forums serve as opportunities for all employees to share ideas and guidance directly with the D&I committee members. Because the forum is optional, the ideas and discussions are summarized and emailed to all staff on a quarterly basis.



Closing the Gender Gap

The area of their D&I efforts where HC has had the most success is in closing the gender gap. When Mark Delfino, their CEO, joined HC in 2007, the firm looked much like the financial services industry. There were 10 employees, the two founders were white males, women largely played supporting roles and there was only one person of color. Since then, they have more than quadrupled their staff to 42 employees representative of a variety of communities and identities in three different locations. As of August 2020, 60% of their staff, 50% of their management team, and 47% of their advisors are women. As a result, they have closed the gender pay gap. In fact, the average pay for their female advisor cohort is higher than their male advisor cohort.



These results did not happen overnight. Over a decade ago, HC began making changes that led to this success. In late 2007, the firm's founders and CEO launched an effort to recruit an experienced female advisor because they identified the need to elevate the role of women in the firm. In 2008, they acquired a small women-led advisory practice. This important management decision set off a chain of events that helped them attract more women, both staff and clients, to the firm. These changes allowed them to close the gender gap and helped them create a much more diverse and inclusive culture.

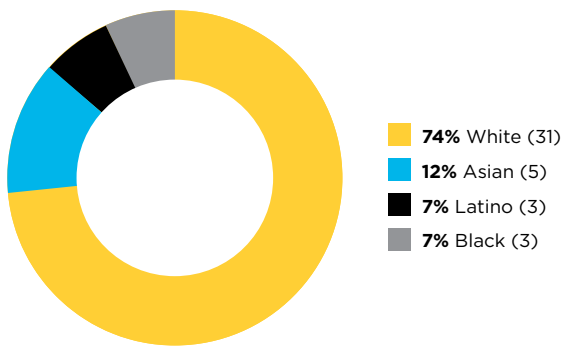
Their female staff are not the only beneficiaries of the changing landscape of their firm. They have helped advance the firm's capabilities in ways that could not have happened had they remained a homogeneous firm. Women in the firm have been large contributors to the firm's overall growth, attracting a more diverse clientele and talent pool. The end result is a virtuous cycle that indirectly benefits their staff and clients alike. Despite their progress, HC recognizes there are still gaps. But their biggest takeaway is that diversity of thought and experience means better results for everyone.

Measuring Progress

HC recognizes that their progress with regards to people of color is notable, but in its early stages. Currently, people of color make up 26% of the firm, up from 10% in 2007 and 16% just five years ago. Much of the progress is due to recently implemented hiring practices. In fact, 41% (seven out of 17) of the current staff members hired in the past five years are people of color. Additionally, four of 15 A/Ps are people of color. This is higher than their industry's average, but lower than the demographic mix of the communities where they are located. While they have made less progress to date in their advisory or management ranks, they believe this will change over time as these newer hires advance within the firm. To help achieve this, HC intends to promote based on demonstrated capability while making sure that everyone — including people of color — are equipped with what they need to develop and advance.

HC also understands that professional certifications are important because of the fiduciary responsibility it carries when providing complex and tailored solutions for a client's long-term financial goals. Out of 42 employees, 18 currently hold CFP® certification with the gender ratio being 56% male and 44% female (10 male, eight female). Currently, 15 of those CFP® professionals are white, but they are hopeful that this composition will change over time, as recent D&I initiatives build momentum and take hold. To encourage certification, HC typically pays 100% of approved professional accreditations (e.g., CFP® professional). This extends to functional accreditations (e.g., IACCP®). Additionally, any employee can request education or training they believe will help them in their role up to \$1,000 per year. This is particularly valuable when someone has advanced into a new role or needs to learn/develop a new skill quickly, and it has been used for many types of professional development programs.

To bolster the recently launched formal D&I initiative and committee, HC will be developing strategies to further diversify their firm and increase the diversity of their leadership team in the weeks and months ahead. Understanding where they stand will allow them to measure the effectiveness of their strategies, measure progress, identify gaps and craft more targeted strategies. Demographics of HC, at the time of their submission, stand at 25 females and 17 males out of a staff of 42.



Because HC's business model is to acquire firms, their growth is in large part via acquisition. When they acquire a firm, the odds are that they will acquire a firm that looks more like the industry's average than like themselves, from a D&I perspective. They choose to acquire other firms in large part based on shared values and fit, and they become integrated into their work culture so they believe they will look more like the rest of HC and less like the industry over time.



Lessons Learned

More diversity and inclusion leads to more [value](#). HC has learned that being more diverse and inclusive is helping them in more ways than they originally realized. It is enabling a culture of constructive collaboration and teamwork within their staff and advisory teams and encourages each staff member to offer and accept diverse views that expand their perspective while still allowing them to be decisive. It makes it safe, even desirable, for anyone regardless of age, gender, race, or role to speak up with a valuable insight or unconventional view. HC knows they are at their best when all staff feel valued and empowered to share their voices and talents.

More diversity and inclusion means more talent. Being more diverse and inclusive has helped HC attract extremely talented, like-minded people, some of whom might not have been attracted to their profession or found their firm. In some cases, these people have sought them out or been referred to them because of the firm's reputation for inclusion and diversity. Collectively, their energy, perspective, expertise, and wisdom have helped make HC better trusted advisors and have enabled them to attract even more diverse clients.



Meaningful progress requires intention with purpose. HC has always thought of themselves as relatively unbiased and accepting, but they realized that they looked a lot like their industry in 2007 — white and male. A decade later, they managed to close the gender gap. Progress would not have been so swift had they not intentionally decided to prioritize the recruitment and retention of women. Yet, their focus on attracting women was not always smooth sailing. They encountered some resistance from some male advisors along the way. When they launched a Women’s Practice (WP) within the firm, the attention given to the women and the practice amplified some of these issues. They were able to address and overcome these issues largely by continuing to promote a collaborative culture based on teamwork and sharing. This was achieved through a combination of knowledge sharing and real collaboration.

The goal of the WP has been to position the firm to better serve women clients. For instance, when they formed it, they discovered that most of their widowed clients were women served by male HC advisors because their husbands had passed while they were HC clients. Since this was still likely to be the case, the WP helped better prepare all advisors for these difficult situations by creating checklists and scripts and offering their expertise and support. WP best practices and toolkits were routinely shared at monthly advisor roundtables and made available to all staff.

The women advisors were instrumental in growing the firm and all staff came to realize it. Soon, the detractors realized that everyone was benefitting, and this was seen as a necessity for a successful business model.

CASE STUDY 3

MERRILL LYNCH WEALTH MANAGEMENT

Founded in 1914, today Merrill Lynch is one of the largest wealth management businesses in the country, employing more than 14,000 financial advisors. Merrill's advisors hold the most CFP® certificates of any firm in the industry. In this case study, they are releasing new demographic data.

MERRILL LYNCH WEALTH MANAGEMENT

At Bank of America, and within the Merrill Lynch Wealth Management (MLWM) business, diversity and an inclusive workplace is core to their culture. Half of Bank of America's management team are people of color and 32% are women. Half of the global workforce are women and in the United States, 45% are people of color (POC). According to Bank of America's recently released [Human Capital Report](#),¹⁷ diversity makes the company stronger, and the value it delivers as a company is strengthened when it brings broad perspectives together to meet the needs of its diverse stakeholders.

Building a modern MLWM requires a deep commitment to diversity. One of MLWM's goals is to more closely resemble Bank of America's diversity. Over the past several years, MLWM has implemented programs and processes to further support and sustain the growth and success of diverse talent. MLWM recognizes that this is both a moral and business imperative, not only for its business but for the industry as a whole. MLWM understands that it is critical that the wealth management business reflect the communities they serve.

MLWM has made meaningful progress over the last several years by holding all levels of leadership accountable for change. Andy Sieg, president of MLWM, shared that one of the first actions his team took was to build diversity into leadership goals, alongside more traditional metrics such as

household acquisition and flows. In 2017, MLWM established goals aimed at increasing diverse representation at every level of the organization, including among their leadership and financial advisors.

Today, 21% of MLWM's advisors are women and 23% are people of color — including just under 5% Black/African American (B/AA) and just under 10% Hispanic/Latino (H/L). These figures are up significantly with POC advisors increasing by 49% and women advisors increasing by 17% compared to five years ago.

21%

**OF MLWM'S ADVISORS
ARE WOMEN.**

AND

**COMPARED TO FIVE YEARS AGO,
THAT'S AN INCREASE OF**

↑ 17%

23%

**OF MLWM'S ADVISORS
ARE PEOPLE OF COLOR.**

AND

**COMPARED TO FIVE YEARS AGO,
THAT'S AN INCREASE OF**

↑ 49%

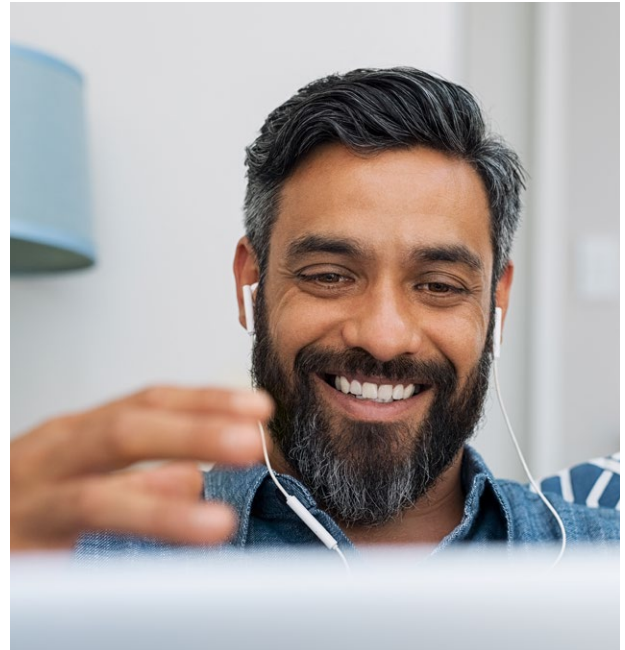
Accountability and Transparency

MLWM recently revealed its [internal diversity statistics](#)¹⁸ for the first time, setting the firm apart from the financial services industry in which disclosure of such data is limited. The data illustrates the meaningful progress MLWM has made.

MLWM's disclosure of its diversity data is a window into the progress of one of the industry's leaders, and an invitation for other firms to follow suit. Few firms in wealth management share such information publicly and many have been reluctant to release specific statistics about the diversity of their advisor forces, which have a long history of being nearly all white and male. MLWM believes that transparency and accountability will lead to greater recruitment and retention rates.

Today, MLWM's senior leadership team is 50% women or POC, which aligns with Bank of America's management team, which is also 50% diverse overall. They are striving to set an example from the top down, which is reflected in their diverse representation throughout the business.

Since 2017, women and people of color candidates have represented 60% or more of each year's class within their Market Executive Leadership Academy, a flagship 18-24 month leadership development program for placement into local leadership roles overseeing teams of financial advisors. In 2017, MLWM formed the Merrill Executive Council for Diversity & Inclusion — chaired by and composed of members of the business' senior leadership team. Council key deliverables include four focus areas: hiring/representation, engagement/inclusiveness, diverse financial advisor performance, and communications.



Over the last 18 months, 54% of MLWM's new advisor hires have been women or people of color, up from 39% of diverse advisor hires in 2017. The company's advisor population has increased by nearly 10% since 2015, to more than 17,500 advisors today. During this period, MLWM has seen meaningful increases in the representation of women and people of color:

- Female representation is up by 17%; with the addition of more than 800 women advisors, women advisors now represent 21% of employees at MLWM.
- POC representation is up by 49%; with the addition of more than 1,500 POC advisors, POC representation has increased from 15.5% to 23%.
 - B/AA representation is up 88%; representation has increased from 2.5% to 4.5%, with advisors growing from 390 to 780.
 - H/L representation is up 54%; representation has increased from 6% to 9%, with advisors growing from 940 to 1,570.

The growth of diverse advisors has occurred in all areas of MLWM's advisor population — including experienced advisors, trainees, and Financial Solutions Advisors. MLWM's approach to increasing its advisor force over the last several years is based in large part on the building of the modern MLWM strategy. MLWM has seen a lot of this growth among younger advisors coming into and graduating from their training program, as well as through early career advisors hired in Community Markets and into its Accelerated Growth Program. In fact, MLWM currently has the most diverse class of advisors in its training program in its history, which is nearly 30% women and more than one-third people of color.

Advisory Councils

Over the last several years, MLWM has created and implemented several advisory councils and events to help ensure the right strategy, programs, and processes are in place to further support and sustain the growth and success of diverse talent.

In 2014, MLWM formed a Black/African American Leadership Council (B/AALC). The council is chaired and sponsored by members of the business' senior leadership team and includes B/AA advisors. The B/AALC was established for the purpose of empowering its members (Financial Advisors and Leaders) to address the unique issues and opportunities facing B/AA Financial Advisors in the business. The intended outcome is to maximize the business success of all B/AA advisors and trainees.

In 2018, MLWM also formed a Hispanic/Latino Advisory Council (H/LAC). The H/LAC was established to ensure the professional success of all H/L employees and to secure MLWM's position as the pre-eminent wealth management firm for H/L families and businesses.

MLWM re-launched the annual B/AA Financial Advisor Symposium in 2016 and has held it every year since with significant turnout and in 2019 they introduced Women's Financial Advisor and Hispanic Financial Advisor Symposia. These are opportunities for individuals to come together and form relationships, share best practices, and foster inclusivity.

Leading with Listening

MLWM understands that data should inform strategy. Last year, MLWM began an extensive research study to better understand client mindsets driving financial perspectives and behaviors across four communities: Women, B/AAs, H/Ls, and LGBT+ people.

Earlier this year, MLWM published [*Seeing the Unseen: The Role Gender Plays in Wealth Management*](#),¹⁹ a research report that explores investors' experiences with financial advisors across the industry, including ways investors anticipate, encounter, and manage stereotypes. The study, which included interviews, live simulations, and the use of groundbreaking technology such as eye tracking and heat mapping, found that gender-based biases toward investors persist throughout the industry, and that as younger women take more control of their own and their families' financial lives, they are less tolerant of biases and demand more.

The results of three studies examining affluent B/AA, LGBT+, and H/L communities will be launched in the fall of 2020. This first-of-its-kind research aims to provide an understanding of how cultural, racial, gender, sexual, and intersectional identities influence perspectives on wealth, money, and success. The findings will continue to inform client strategies and better position MLWM to serve diverse populations.



Gender Diversity

As a leader in the industry in terms of gender diversity — as illustrated by being named number one on Barron's Top Women Advisor list for 15 consecutive years as well as number one on Forbes' Top Women Advisors list — MLWM takes its leadership in increasing gender diversity within its ranks very seriously.

Over the last decade, MLWM has been researching and surveying women investors to understand their unique financial journeys and how to best serve them. Following research in 2018 that revealed women would rather talk about their own death than money, MLWM took action launching a national client event series. To date, MLWM has hosted five events that convened more than 800 women on topics related to finance such as cognitive health, resiliency, and gender in media.

Combating Implicit Bias

MLWM has also been focused on creating empathy and a sense of belonging among its employees with a year-round focus on inclusion. MLWM has sought to create an inclusive atmosphere through unconscious bias and inclusion training. Last year, more than 20,000 MLWM employees across the country participated in inclusion training sessions, led by senior leaders from the business and human resources employees, with a focus on understanding unconscious bias and cultivating inclusive environments in their offices.

As part of an ongoing commitment, the firm will deliver new training informed by the latest research to all new advisors joining the firm, along with additional D&I training to existing advisors.

Diverse Asset Managers

A 2019 Knight Foundation analysis found that only [1.3%](#)²⁰ of industry assets were managed by diverse-owned asset-management firms. MLWM and Bank of America seek to change those demographics by assessing the asset managers, the firms that offer mutual funds, exchange-traded funds (ETFs), and other investment vehicles on their platforms to determine their commitment to diversity both firm wide and on an investment team level.

The due-diligence team in Bank of America's Chief Investment Office (CIO) began requesting data from third-party asset managers on its wealth management platform earlier this year through D&I surveys sent to managers. The CIO wants to know if firms are progressing in diversity efforts over time.

At the firm level, the due-diligence team is looking for data on equity ownership, policies, and employee benefits. The due-diligence group also wants to know how managers' investment teams are hiring a diverse group of candidates and how long it takes analysts of diverse backgrounds to be considered for a promotion.

Since the firm started evaluating managers during the first quarter of this year, the due-diligence team has already collected data from about 40% of its pool of third-party asset managers. The firm currently covers about 3,000 strategies across all asset classes and estimates getting through all managers by April 2021. The company plans to regularly monitor asset managers' diversity efforts and will evaluate the D&I efforts of new managers that hope to score a spot on the wealth management platforms.



The due-diligence team is also partnering with industry groups like GenderSmart, which focuses on “gender-based women-led” investment strategies, to help direct capital to diverse managers. The company is also collaborating with the NICSA Diversity Project, which shares research on best practices for developing a more diverse asset management industry.

Bank of America and indeed MLWM are “all in” when it comes to a focus on diversity as a priority.

CASE STUDY 4

WETHERBY ASSET MANAGEMENT

Wetherby Asset Management was founded in 1990. With a focus on independence, objectivity, exceptional client service and creating the opportunity for employees to own the company, Wetherby has grown into one of the leading RIA firms nationwide. From their headquarters in San Francisco and offices in New York and Los Angeles, their team of over 70 employees serve wealthy individuals and families throughout the country.

WETHERBY ASSET MANAGEMENT

[Wetherby Asset Management](#)²¹ (Wetherby) provides investment advice and comprehensive wealth planning for high net worth families and individuals. As an independent advisory firm, Wetherby focuses on offering objective, unbiased, and thoughtful financial counsel centered on each client's unique needs and priorities. From their headquarters in San Francisco and additional offices in New York and Los Angeles, their 70+ employees manage approximately \$5.8 billion in assets under management.

As a values-driven organization, Wetherby incorporates impact broadly and holistically. The firm strives to add value across all stakeholder groups from impact investing services for their clients; diversity, equity, and inclusion (DE&I) initiatives for their employees; service events for the community; and environmental stewardship for the broader planet.



Impact Investing

Impact investments are made with the intention to generate positive, measurable social and environmental impact alongside a financial return. The goal of impact investing is to use financial resources and investment capital for positive social results. Investors who use impact investing as an investment strategy consider a company's approach toward solving social and environmental challenges which can range from the integration of environmental, social, and governance factors (ESG) to DE&I considerations.

Impact investing forms an integral part of Wetherby's overall services. Wetherby's robust impact investment platform can support a wide range of client interests, from clients just beginning to explore impact investing to clients who are fully committed to incorporating their impact goals throughout their portfolio. Wetherby's vision for its impact investing offering is to integrate impact broadly and deeply without compromising any of a client's other objectives, financial or otherwise. In fact, Wetherby believes that impact investing does not require an investor to accept a sub-par risk/return profile and, at times, can serve to reduce risk and/or enhance financial returns.

With a client base that looks to Wetherby for best-in-class impact investing solutions, the firm's employees innovate and advocate where solutions are yet to exist. Through this approach, the Wetherby team has challenged the status quo and helped individuals, families, and institutions participate in the growing global movement to address the planet's most pressing challenges through investment capital.

DE&I Initiative

Wetherby understands that diversity is a strength that drives the firm forward and enables them to build deep, long-term, caring and trusted relationships with their clients and their community. As such, Wetherby is committed to cultivating an inclusive environment and culture that fosters growth, collaboration, and acceptance; one that celebrates the diverse voices and perspectives of their employees; and where employees feel empowered to bring their full, authentic selves into the workplace. In an industry that is dominated by men, Wetherby proudly reports that as of their [2019 Annual Impact Report](#),²² the firm is 51% women. However, Wetherby understands that while gender diversity is one measure, equity and inclusion for all employees are the key goals.



In 2018, Wetherby sought to deepen its commitment to their staff and work to actively tackle any barriers that prevent staff from being their full selves at work. To do this, Wetherby developed a multi-pronged DE&I Initiative with four key strategic objectives, and specific goals and tactics underlying those objectives. The following are the four key objectives with a description and an example of one specific goal, tactic, and metric within the key objective used to track progress and ensure accountability:

1) Leadership and Organizational Culture: Increase leadership engagement of senior and mid-level management

Description: Leaders play an integral role when it comes to influencing and shaping an organization's culture. To effectively advance DE&I efforts, leaders are expected to be advocates in communicating the DE&I commitment to the firm. Leaders who embrace the DE&I strategy will send a strong signal to the employees that it's beneficial to embrace change.

Goal: Leaders within the organization are held accountable to DE&I efforts in the workplace.

Tactic/Action: Integrate DE&I considerations into senior management job descriptions and requirements.

Metric: Percentage of senior leadership job descriptions with DE&I considerations incorporated and actively evaluated.

2) Hiring Pathways: Expand and strengthen recruitment pipelines for candidates to join Wetherby's workforce

Description: Today's population is becoming increasingly diverse, and Wetherby wants its employee base to be reflective of the clients it wants to attract as well as society at large, such that they can leverage diverse talent and perspectives. Of course, Wetherby recognizes that there are several systemic barriers within the financial services industry that prevent full participation from historically underrepresented groups. As a result, Wetherby understands the need to be proactive in identifying and implementing strategies that reduce biases and promote a diverse pool of applicants through all stages of the hiring process.

Goal: Wetherby is able to identify and attract a diverse applicant pool.

Tactic/Action: Expand recruitment efforts to a wide array of networks, to individuals from underrepresented groups, and to individuals from different industries (especially for entry-level roles where the skillset overlaps with financial services).

Metric: Number of alternative job posting sites used that target underrepresented groups.

3) Retention, Development, and Advancement: Improve the retention and professional development of all Wetherby employees

Description: While recruitment is often the focus of diversity initiatives, it is also important to examine retention and advancement data within an organization. Are certain groups being promoted at differing rates? Are there commonalities among those who are leaving the company? The answers to these questions help assess the inclusivity of an organization and its culture.

Goal: Mitigate and minimize bias in job design and classification.

Tactic/Action: Examine data to determine if seemingly neutral policies (e.g., flexible work policies, performance-based compensation) have disproportionate effects along demographic lines.

Metric: Completion of a barrier analysis that identifies obstacles for retention and promotion for diverse talent on a biennial basis.



4) Network of Support: Build and develop external relationships of support

Description: With DE&I efforts gaining traction with organizations across a variety of industries, Wetherby can use its influence and share best practices with others to help accelerate and sustain change.

Goal: Wetherby uses its influence to further the work within the broader financial services industry.

Tactic/Action: Engage and share learnings with external organizations that are not exhibiting DE&I best practices (e.g., encourage diversity on industry panels).

Metric: Track workforce data disclosed by partners and diversity metrics of investment managers.

DE&I Committee

Wetherby believes that it is its employees' collective responsibility to internalize and integrate DE&I principles across the organizational culture and to actively engage in working toward its DE&I goals. To further support this accountability, Wetherby formed a DE&I Committee to formally steward the firm's DE&I initiative and support the strategic DE&I objectives and activities outlined above.

Overall, the intent behind the DE&I Committee is to create a cross-functional body that is a steward of all DE&I activities across the firm to ensure that DE&I is embedded across the culture and embodied in what everyone at Wetherby does. The DE&I Committee is governed by a strategy document that guides the purpose, strategic objectives, and responsibilities of the Committee. The strategy enables Wetherby to implement consistent, cross-functional policies that allow employees to uphold DE&I values through action. The document also houses the vision and mission of the Committee, membership responsibilities, and the Committee budget.

The standing DE&I Committee is a governance structure that is composed of employees from each part of the firm, which allows the Committee to efficiently identify and implement its initiatives and trainings. A formal committee enables Wetherby to set a firm-level strategy and implement consistent, cross-functional policies and procedures that flow from that strategy. Notably, a standing committee is a constant tangible commitment to Wetherby's DE&I values and the importance of them.



The membership includes C-suite employees who have the power to enact the policies that the Committee develops and consists of at least three but no more than 10 members who are all employees of Wetherby. The Co-Chairs of the Committee are currently the Chief Impact Officer and the Human Resources Manager. The Senior Sponsor of the DE&I Committee is currently the Chief Executive Officer. Both the CEO and Chief Impact Officer are members of the firm's Management Committee. Each member is selected by the Committee Co-Chairs and Committee Sponsor and is appointed for a term of one year.

The DE&I Committee's focus is on integrating DE&I values, aligned with the DE&I Initiative strategy, into various areas of the workplace, such as culture, recruitment and hiring, employee training, performance reviews, and investment processes. The Committee is charged with identifying actions to support the diversity of people and ideas, as well as building an equitable and inclusive culture. The DE&I Committee's purpose directly aligns with and supports Wetherby's values as well as its status ([and score](#)²³) as a Certified B Corporation. Certified B Corporations, or B Corps, are businesses that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose.

The DE&I Committee's mission is to build and leverage a diverse and inclusive workforce for Wetherby to be able to provide superior investment and wealth planning services to its clients. Wetherby recognizes that DE&I competencies begin with management, continue through the rest of the company, and are reflected in its hiring and talent acquisition and overall culture. As such, Wetherby's DE&I Committee seeks to:

- Improve the representation of various groups of people at all levels of the firm by bolstering hiring and talent acquisition, and retention practices to be more inclusive of historically underrepresented groups.
- Cultivate an inclusive work environment that fosters ideas and healthy discourse amongst employees to share creative solutions, increase productivity, and promote information sharing.
- Hold senior leadership accountable for achieving DE&I goals and objectives. The DE&I Committee ensures that all its initiatives, actions, and results are transparent to the firm as a whole.

The Committee provides internal updates that contain a performance dashboard for each objective, updates around objectives, and the reasoning behind its policy choices. After providing staff with a DE&I training, the Committee also shares employee satisfaction results from a post-training survey, follow-up opportunities, policies addressed for any gaps found, and upcoming initiatives. The Committee holds regular monthly meetings, or more frequently as required, and is responsible for setting strategic priorities, determining ongoing activities, and developing a proposed budget annually.

Recent DE&I Activities

In 2019, many of the DE&I goals were focused around internal education, participation, and accountability. Wetherby's leadership is committed to these goals, but wanted to demonstrate that leadership on DE&I is firm wide. The DE&I Committee focused its events on fostering education and active participation. The Committee ensured there was a steady stream of events, such as internal and external webinars, engagement opportunities, DE&I "Deep Dives," and book clubs, where managers participated to demonstrate their commitment to and prioritization of these initiatives. An important component was to encourage participants to report out and share what they learned, which was a tangible way of tracking education, participation and accountability.

Another specific policy the Committee implemented was researching bias in job descriptions and running job descriptions through augmented writing analysis tools to detect and reduce that bias. To measure progress, Wetherby tracks candidates by voluntary data they contribute but it is difficult to attribute it to one single policy/factor. All of Wetherby's [hiring in 2019](#)²⁴ was done using these revised, more inclusive job descriptions, which helped reduce bias and to bring in talented individuals that have only made their team stronger. Wetherby has also implemented an expanded list of job boards where all of their employment openings are posted to include sites dedicated to diverse candidates. Wetherby feels strongly that actively seeking candidates from a wide range of genders, races, sexual orientations, employment backgrounds, and disabilities sends an important message to job seekers – all that you bring is welcome and needed.



Wetherby publishes quarterly newsletters that offer insight into timely news and events that shape the financial world. In Wetherby's newsletter for the [second quarter of 2020](#),²⁵ they highlighted their focus on DE&I as demonstrated by the company's ongoing commitment to several heritage celebrations while employees are working from home. The newsletter also explored the way in which employees' own biases might influence their behavior and perception, the crucial difference between equality and equity, and steps taken to ensure they implement the training in meaningful ways. The newsletter detailed an activity the firm facilitated to celebrate Black History Month. During Black History Month, Wetherby's DE&I Committee invited staff to enjoy a cookie from a local Black-owned bakery. But what seemed to be a simple cookie mixer proved frustrating and confusing to some employees as they faced a series of tests before being given a cookie. While getting a cookie is by no means as significant as the right to vote, the "Cookies as Voting Rights" activity illustrated the very real structural disenfranchisement — such as the so-called "literacy tests" — that Black Americans have faced while exercising their right to vote in the United States.

Allyship

In response to the nationwide protests against police brutality and racial injustice, clients began asking Wetherby what they could do to effect change. Wetherby wanted to create resources for clients to respond to the need. These conversations also served as a good opportunity to remind people of the crucial role that investment capital and allies can play in this context.

Wetherby believes that allies can stand for and with Black, Indigenous, and People of Color (BIPOC) communities by taking tangible, ongoing actions to dismantle systems of oppression. As a result of the racial injustice conversations, Wetherby created [Ten Actions You Can Take as an Ally](#)²⁶ to help clients and employees themselves realize that being an ally is an ongoing process, share resources to help them better understand what being an ally means, and remind employees that Wetherby leadership is there to support their journey. Some of these actions include reading books to better understand systemic racism and oppression, and speaking with family members about race and racism.

Industry Advocacy

Wetherby engages in a range of advocacy activities that support its mission and values as well as critical public interests. In addition, Wetherby believes that the investor voice should also be used to engage with management teams to responsibly steward investment assets.

Wetherby offers clients the opportunity to support shareholder initiatives related to critical ESG and DE&I issues. In 2019, Wetherby helped clients [file and co-file DE&I related resolutions](#)²⁷ which asked companies to report on issues such as workforce diversity management; diversity on boards and management teams; and goals to reduce the gender pay gap.

Wetherby has joined the Thirty Percent Coalition's annual letter writing campaign addressed to the several hundred companies in the Russell 3000 and Russell 1000 with no women or only one woman on their boards, advocating for greater gender diversity on corporate boards. In addition, Wetherby's CEO, Deb Wetherby, signed the #WetheChange Declaration, a statement by the women CEOs of recognized B Corps committed to economic, racial, environmental, and social justice and a world where women are equally represented. Wetherby also signed the Investor Statement Supporting the UN Women's Empowerment Principles, coordinated by French firm Mirova, which recognizes that empowering women is a major issue both from a social and financial perspective. The statement also asks that companies strengthen their commitments and take decisive and concrete actions toward gender equality in the workplace, marketplace, and community where they do business. In addition, Wetherby signed the [2020 Belonging Pledge](#),²⁸ a pledge to advance racial equity throughout the investment industry.

Investment Policies & Procedures

ESG and DE&I considerations and broader impact issues can affect the performance of investment portfolios to varying degrees and over time. Wetherby believes that integrating ESG and DE&I considerations into investment management processes can have a positive impact on financial performance. As such, Wetherby's Investment Policies & Procedures and standard due-diligence processes include ESG and DE&I considerations. As it relates to DE&I in particular, Wetherby asks managers questions on the accountability mechanisms in place for adhering to DE&I commitments in its operational and investment practices and on robust processes for addressing implicit bias in its management and investment decision-making practices. As a result, Wetherby makes it clear that it plans to invest with managers with strong DE&I policies and processes and those with diverse boards and leadership.

In 2018, Wetherby launched an inaugural annual [survey](#)²⁹ of all investment managers in its portfolios to better understand their ESG policies and practices and to gauge their progress toward fostering greater diversity within the investment industry and their commitment to addressing climate-related risks and opportunities. The survey asked managers about gender and representation of previously underrepresented groups (e.g., ethnic minorities, immigrants, members of the LGBTQ community). Wetherby found the low scores on diversity to be disappointing, yet aligned with a larger characteristic of the industry.

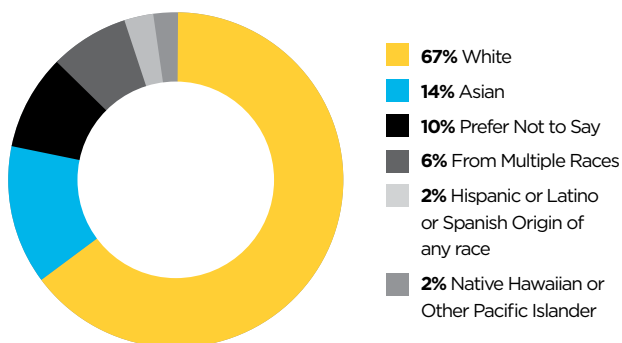
Wetherby reports the survey results in their Annual Impact Reports. In doing so, Wetherby hoped the survey would serve as a strong signal of its commitment and support for greater diversity as a strategic investment imperative to its staff and clients. In addition, the survey will enable Wetherby to track year-over-year changes to gauge collective progress on fostering greater DE&I and engage with its managers to support improvements and increased accountability over time. Wetherby indicated that the survey resulted in a positive signaling effect, encouraging managers to consider critical ESG, diversity, and climate-related issues and, perhaps, more importantly, motivating them to take steps to address those issues. Wetherby also used the survey as an opportunity to engage with managers about their DE&I policies, and to gauge how people in their firms are held accountable for fostering DE&I.



Wetherby plans to track this data annually going forward. Unfortunately, Wetherby can only provide some summary demographic data at a firm aggregate level because its Management Committee and Investment Committee, both of which include women and people of color, are too small. As such, reporting at a more granular level would run the risk of exposing personal, individual-level data. Additionally, the survey asks age, veteran status, disability status, marital status, gender, race/ethnicity, whether or not respondents have children, and educational level.

Tracking Progress on DE&I

Across the entire firm, Wetherby currently has a population of 55% women and 45% men. Based on voluntarily provided, self-identified data (with a less than 100% response rate) as of December 31, 2019, Wetherby employees were:



To track progress, Wetherby reviews existing policies, from hiring and retention, educational and certifications reimbursement policies, mentorship program, and family leave policies, to evaluate where they are supporting a more inclusive environment and where they are inadvertently creating challenges. Like many similar firms, Wetherby has been formalizing its processes over time. To Wetherby, that means being intentional and creative about implementing DE&I specific policies. This is challenging, hard work at times because it is changing policies and procedures. It is hard to create behavioral change and ask people to follow new policies that they have not had to before, but Wetherby knows that DE&I needs to be a central component of that.

Corporate Citizenship

Wetherby recognized how critical it is to consider the needs of its clients and employees as well as the environment and communities in which they live, work, and invest across all of their business practices. Every year, Wetherby organizes service events with local nonprofits to support their missions and engage with the local community. In addition, to create a culture of service and community support and encourage greater volunteerism, Wetherby offers its employees up to eight hours of time off for personal volunteer activities each year. This year, Wetherby extended this policy to allow employees to use this volunteer time off to serve as poll workers on Election Day 2020.

In 2019, Wetherby worked with California Jump\$tart, a nonprofit dedicated to improving K-12 financial education. Members of the Wetherby team volunteered to facilitate personal finance workshops for teachers on topics like budgeting and debt. The team not only provided information of value to the teachers but also enabled those teachers to then help educate their students on personal finance topics while they are still young and have the chance to make sound financial choices as they grow and enter adulthood.

In addition to its volunteer commitments, Wetherby commits at least one percent of its pre-tax net income to charitable causes annually. To foster a sense of giving from its employees, Wetherby also matches [up to \\$1,000³⁰](#) of employee donations to qualified charitable organizations. This year, Wetherby expanded that incentive by developing the “Doubling Down on Racial Injustice” program. The program is an extension of the matching donations initiative that encourages employees to donate to racial justice organizations, sharing the names of a few

pre-selected racial justice organizations and the criteria for choosing to single them out. At the end of every year, Wetherby evaluates these programs to determine how effective they were.

Looking Forward

Wetherby recognizes that this is a journey that requires continuous work. Building on the small steps, such as running its job descriptions through the bias indicator and having staff participate in deep-dive trainings on topics like microaggressions, can help individuals build stamina and prepare for the longer journey ahead. Small steps prepare us all for the giant leaps to come.

While much of this work is just taking off and some work may be easily doable virtually, Wetherby hopes to create more opportunities for employees to engage in DE&I work at the firm. Wetherby also hopes to develop a DE&I program that recognizes that the pandemic is affecting people unequally and addresses the diverse needs of its employees.

As Wetherby grows and evolves, there are always new challenges to identify and address when it comes to DE&I, particularly since the lack of diversity is systemic in the financial services industry. The industry must continue to reckon with this reality and improve DE&I efforts. Wetherby is committed to working with their peers to build an investment community that reflects that of the wider world.

CASE STUDY 5

FIDELITY INVESTMENTS

Fidelity's mission is to inspire better futures and deliver better outcomes for the customers and businesses they serve. Fidelity focuses on meeting the unique needs of a diverse set of customers: helping more than 32 million people invest their own life savings, 22,000 businesses manage employee benefit programs, as well as providing more than 13,500 institutions with investment and technology solutions to invest their own clients' money. Privately held for more than 70 years, Fidelity employs more than 45,000 associates who are focused on the long-term success of their customers.

FIDELITY INVESTMENTS

Fidelity Investments (Fidelity) knows that actions speak louder than words. Abby Johnson, the Chairman and CEO of Fidelity, shared a [poignant piece](#)³¹ recently on how words of solidarity can help unite, however, only intentional actions will help move change forward. This is a testament to Fidelity's commitment to advance diversity and inclusion. The firm has had a D&I Office since 2007, and recently elevated this office to report to the firm's Chief Financial Officer.

Fidelity believes that people can only reach their greatest potential when they feel a sense of belonging in their workplace and are comfortable bringing their whole selves to work. And, when people have [the tools](#)³² and workspaces that enable collaboration, it helps fuel innovation and the speed at which they can deliver the best results for Fidelity's customers. Fidelity also knows that its employees make the difference and by investing in them, they offer them the opportunity to do something important both at work and outside of it.

**IN THE LAST YEAR, DIVERSITY*
AT FIDELITY INCREASED BY**

 **13%**

**Employees hired last year compared to the whole of Fidelity's current workforce*

As a customer-centric company, Fidelity recognizes that a D&I workforce is the key to creating a relevant and differentiated

experience for its customers and that [diversity & inclusion](#)³³ is a foundation for success. Fidelity's goal is to build a connected and collaborative workforce that reflects the broader society. Diversity increased by [13%](#)³⁴ among employees, compared to the whole of its current workforce. Fidelity currently tracks diversity by race, ethnicity, gender, and veteran status, but is looking at ways to capture more dimensions of diversity.

FIDELITY BELIEVES IN:

A PROCESS, NOT PROGRAMS: Diversity and inclusion are not boxes to check. Fidelity makes an impact by focusing on "[Simple Starts](#)"³⁵ for business processes and operations.

Simple Starts are small behavioral changes that can help create a more diverse and inclusive environment in the workplace. This approach doesn't require sweeping policy change, but instead taps into the individual power and influence that everyone has. Simple Starts is about embracing that everyone has the power to effect change, regardless of their position. Fidelity measures the cumulative effects of Simple Starts by tracking Employee Resource Group membership totals, career coaching engagements, artificial intelligence technology utilization, and employee engagement surveys.

LAYERED IN, NOT LAYERED ON TOP: Fidelity is embedding inclusive practices into all levels of its decision-making to create and sustain long-term momentum. These practices range from ensuring diversity on interview panels to re-organizing talent reviews to discuss historically underrepresented people first.

ACCOUNTABILITY FOR ALL: Leaders must commit to new behaviors that will help the entire organization to build a workforce that is diverse and inclusive. Fidelity encourages its leaders to get involved with Fidelity's Employee Resource Groups and even tactically, make adjustments to their language and educate others as needed (e.g., using Black vs. African American, Hispanic vs. Latinx, Queer).

Dashboards and Data

Ultimately, Fidelity recognizes that it is the responsibility of its leaders to ensure D&I initiatives and policies become regular business practices. To help its leaders understand progress and identify areas for improvement, Fidelity uses a templated dashboard that's delivered to senior management every 90 days. The dashboard includes key leading and lagging performance indicators such as:

- The number of jobs filled where there was diversity on the final candidate slate
- The diversity of the people hired
- Diverse representation in leadership roles
- Lateral mobility and promotion of underrepresented talent

While delivered by Fidelity's D&I Office, the purpose of the dashboard is to highlight areas of opportunity for Fidelity's business leaders to pursue, and areas where its businesses are excelling in retaining/hiring historically underrepresented people. The dashboard uses the data to build the business case and return on investment of D&I initiatives, just as any other function would measure progress.

Insight around data is important to prevent people from making assumptions, too. This was part of the shift from making intuition-based insights, to using data to power programs and identify opportunities. As a result of this shift, Fidelity now couples quantitative data with qualitative findings to understand how these initiatives affect people through tools such as empathy interviews. This helps them avoid biases or assumptions that may emerge from the

data alone. For example, Fidelity found that women in one business area who reported to women had higher retention rates. Through empathy interviews, Fidelity learned that these women participated in a first-year cohort program and that this is what was keeping them at Fidelity, not necessarily their female manager. This reinforced Fidelity's commitment to uncovering the full story, and to be mindful not to look at numbers in a vacuum or make assumptions.

Employee Resource Groups

Fidelity's Employee Resource Groups (ERGs) also help to further its inclusion efforts. ERGs are self-organized groups of Fidelity employees that come together based on common experiences. Its ERGs are a big part of creating an inclusive culture — but their benefit goes beyond helping employees find like-minded colleagues. ERGs have also become a place where employees can go to learn about the experiences of their coworkers, and for Fidelity businesses to test and help design products and services.

FIDELITY CURRENTLY HAS SIX ERGS:

AERG: Focused on promoting culture inclusion and awareness of Asian employees.	Pride: Open to all employees interested in the workplace experiences of the Lesbian, Gay, Bisexual, Transgender, and Queer (LGBTQ+) community.
Aspire: Focused on the professional and personal experiences of Fidelity's Black and Latinx employees.	Women's Leadership Group: Dedicated to the needs of Fidelity businesswomen looking to develop professionally and personally through networking, leadership programs, and volunteer opportunities.
Enable: Focused on creating a positive and inclusive work environment for employees of all abilities.	
FIVE: Networking and support group for military veterans.	

In addition to its ERGs, Fidelity has three Special Interest Groups (SIGs), which are also self-organized groups of employees who come together around shared interests, not shared background or experiences. Those groups are:

WITSIG: Women in Technology Special Interest Group

Raise: Working Parents and Caregivers Group

FYPN: Fidelity Young Professional Network

Fidelity's ERGs and SIGs are supported centrally by Fidelity's D&I Office, which has a process in place for vetting new ERG/SIG proposals. Each group receives an annual budget as well as the opportunity to sponsor events related to their mission.



[One in three](#)³⁶ Fidelity employees participate in an ERG, with over 26,000 memberships across over 45,000 employees. There has been a [25%](#)³⁷ increase in memberships over the last three years, indicating the interest and desire for these spaces to build community.

Beyond community building, Fidelity's ERGs also provide insight into the utility of programs for certain populations. For example, Fidelity's ERG for people with disabilities, Enable, identified a gap in the way in which Fidelity was serving its customers with disabilities. The ERG pitched a business case for the need for improved service to those customers and created

the Office of Customer Accessibility (OCA) which ensures that accessibility is a priority in everything Fidelity does. It helps to improve the website for investors, provides new services to customers with disabilities, and ensures that Fidelity's products and services are accessible to everyone.



Allyship

Fidelity understands the critical role that allies can play in advancing D&I efforts without placing the burden on underrepresented communities. Thus, the firm has a renewed focus on helping all of its employees act as allies, taking a behaviors-based approach to progress in this area as well. Fidelity's "[Simple Starts of Allyship](#)"³⁸ include seeking out mentor/mentees with backgrounds different from their own, sponsoring and promoting the work of their underrepresented colleagues, redistributing project work, modifying their language to be more inclusive (e.g., no longer referring to groups of people as "guys"), and defining their sphere of influence. These actions are not mandated but encouraged. None of these behaviors involve new programs — they're adjustments in day-to-day individual actions and business processes that add up to progress. These behaviors help to create an ecosystem of allyship across all elements of difference, and act as a starting point for employees who want to drive change, but aren't sure where to begin.

Recruitment and Retention

Fidelity is committed to expanding both its recruitment and retention efforts for underrepresented communities, as these efforts go hand-in-hand. Diverse employees will not thrive in an environment that is not inclusive of all.

Starting with increasing the diversity of its hires, Fidelity continues to expand its recruiting channels to include more people of color. The firm does this by supporting diverse business school faculty and expanding business contacts to schools, in particular at historically black colleges and universities (HBCUs) and community colleges. Fidelity has over 30 strategic partnerships that connect them to a wide range of students of color, including Black, Latinx, and Asian students. The goal of these partnerships is to promote the career opportunities available at Fidelity to a diverse pool of talent.

To address unconscious bias throughout the application and interview process, Fidelity uses machine learning and behavioral changes. [One hundred percent](#)³⁹ of job descriptions for open roles apply machine learning to ensure job descriptions and requirements are inclusive and non-biased. Fidelity encourages two or more diverse candidates on each final interview slate and works to eliminate interview bias by encouraging a diverse panel of interviewers for every role, in some cases leveraging the insights of members of the ERGs.

Beyond its own walls, Fidelity is looking to change the racial make-up of people entering the industry, highlighting to underrepresented groups — specifically the Black and Latinx communities and women — that the financial services industry can be a fulfilling and rewarding professional destination.




Fidelity knows that true progress can't be made through hiring alone and works to create an inclusive environment that both retains those new hires and more tenured unrepresented talent. [Ninety-seven percent of its 21,000 managers and employees](#)⁴⁰ in the U.S. have completed unconscious bias training. Fidelity is piloting several programs that help retain employees, including a sponsorship program that pairs unrepresented talent with senior leaders, a tandem-learning program for mid-level Black employees and their managers, and an online development platform/digital ERG for mid-level female employees.

More than [50%](#)⁴¹ of Fidelity's top talent program participants are women and people of color. There is around 40% representation of women overall at the firm, also an upwards trending statistic.



CASE STUDY 6

CHARLES SCHWAB & CO., INC.



Established in 1971 as a traditional brokerage company, Charles Schwab & Co., Inc. became a pioneer in the discount brokerage business in 1974. Today, the company has expanded from its roots as a discount brokerage and provides a full-service investing and banking experience to clients domestically and abroad. Schwab has over 20,000 employees and over 300 domestic offices. This case study focuses on its work within the RIA industry. Schwab Advisor Services serves independent investment advisors and includes the custody, trading and support services of Schwab.

CHARLES SCHWAB & CO., INC.

Charles Schwab & Co., Inc. (Schwab) was founded on the belief that the investment industry needed to be more inclusive — that more people from Main Street should be able to enjoy the same benefits as those on Wall Street. That spirit of inclusiveness has been [a guiding principle](#)⁴² for the firm ever since, and Schwab is dedicated to building and maintaining a culture that values and reflects the strengths of every employee. Schwab knows that, through diversity, the firm gains a wider range of perspectives and experiences, which support its “[Through Clients’ Eyes](#)”⁴³ business strategy. To bring these ideals to life, Schwab has established an approach with four key pillars:

INCREASE WORKFORCE DIVERSITY

Talent comes from a broad spectrum of human qualities and strengths

BUILD AN INCLUSIVE WORKPLACE

Embracing an inclusive culture across the organization

SERVE A DIVERSE MARKETPLACE’S NEEDS

Leveraging differences is important to clients’ success

SUPPORT COMMUNITIES

Making a positive impact on the communities where we live and work

To execute on its belief that everyone counts, Schwab is building a workforce that mirrors the diversity of its clients and the communities it serves. To that end, diversity and inclusion at Schwab [transcends](#)⁴⁴ ethnicity, race, color, religion, sex, sexual orientation, gender identity, national origin, age, disability, protected veteran status, interests, and life stages to include diversity of experiences, strengths, perspectives, and thought. Schwab’s corporate efforts are dedicated to building and maintaining a dynamic organization and culture that reflects the individual strengths of every person who is a part of the company. Through diversity, Schwab’s leaders are confident that the firm will gain a wider range of perspectives and experiences, which benefit all its employees and help them “see through clients’ eyes” and deliver the best client experience possible.

Schwab’s [Workforce Snapshot](#),⁴⁵ available on its website, is a quick snapshot of the firm’s representation with respect to gender and race/ethnicity. The Snapshot provides a relevant baseline of its current workforce diversity as well as a diagnostic tool for moving forward. For each initiative Schwab undertakes, Schwab believes it is important to focus on taking meaningful steps towards creating an inclusive culture, including raising its employees’ engagement levels, increasing the effectiveness of its external partnerships, and expanding the reach of its diversity and inclusion education, and more. Some examples of this include:

- The hires from the more than 25 partnerships it has with various organizations that help them recruit, develop, and retain diverse talent.
- Partners range from organizations and websites like FairyGodBoss, which showcases employers-of-choice for women, to conferences like the Toigo Foundation Conference to actively

recruit Black and Latinx talent, to Financial Women of San Francisco. In addition, Schwab is aligned with Getting Hired, hiring individuals and veterans with disabilities; Women Who Code, providing services to women pursuing technology careers; and the National Black MBA Association National Conference, a nonprofit that advocates for minority business professionals.

- The growth in Employee Resource Groups over time and the impact of their activities, which demonstrates employees' sense of inclusion and belonging.
- Increased employee participation in diversity and inclusion learning offerings.
- Assessments from organizations with meaningful standards for diversity and inclusion, such as the Human Rights Campaign's [Corporate Equality Index](#).⁴⁶



Each of these examples tells Schwab whether it is making progress in attracting a more diverse workforce and enhancing its inclusive culture, and when combined with its demographic data, are good indicators of Schwab's commitment to diversity and inclusion.

Employee Resource Groups

Schwab's Employee Resource Groups (ERGs) are employee-driven and provide support, leadership development opportunities, and connection to its diverse marketplace. Schwab's ERGs are made up of employees who share characteristics or life experiences and are committed to enhancing diversity and inclusion at Schwab. More than 33% of Schwab employees belong to at least one ERG, and more than 85 ERG chapters have been created to date throughout Schwab corporate. These ERGs include:

- Asian Professionals Inclusion Network at Schwab (APINS)
- Black Professionals Association at Charles Schwab (BPACS)
- Charles Schwab Abilities Network (CSAN)
- International Professionals at Schwab (GLOBE)
- Intersectional Inclusion Network (IIN)
- Military Veterans Network (MVN)
- NEXT at Schwab (NEXT) Empowering Schwab's NEXT Generation
- Schwab Lesbian, Gay, Bisexual, Transgender, Queer, and Allies Pride Network (PRIDE)
- Schwab Organization of Latinxs (SOL)
- Schwab Parents Network (SPAN)
- Women's Interactive Network at Schwab (WINS)

Schwab wants all of its employees to reach their fullest potential and it looks for opportunities to educate on diversity and inclusion, as well as develop the next generation of leaders to role model inclusive leadership. Topics Schwab has addressed include inclusive leadership, the language of inclusion, and increasing allyship. Its ERGs use their leadership to connect employees to diverse marketplaces and help support and make a positive impact on the communities where they live and work.

In addition to supporting many community organizations serving underrepresented communities, Schwab focuses on financial literacy as a way to empower diverse communities with the long-term goals of broadening both its diverse talent and its client pool. Schwab's ERGs and many of its employees champion nonprofits aligned with its diversity and inclusion strategy for charitable giving and volunteer service as well, including: the Boys & Girls Club, working to improve financial literacy among underserved communities and help them toward a more secure financial future; Dress for Success, economically empowering women; and College Track, helping students from underserved communities graduate from college. Schwab launched the InternPro program with Braven, a nonprofit dedicated to empowering underrepresented young people, to help first-generation college students of color from low-income backgrounds prepare for an internship with Schwab — and many of its ERGs and employees have helped with coaching and mentoring students.



Impact of the Pandemic

Like many organizations still trying to figure out how to adjust their business model during the pandemic, Schwab is navigating how to adjust and support its employees. Schwab amplifies many of its new efforts online through social media platforms with the hashtag #schwablif, including:


- Schwab's SPAN is focused on dependent care and how to offer parents support. Because many caregivers now have additional responsibilities, including remote learning and taking on household duties previously outsourced, the ERG offers a safe space for parents to share needs and access resources.
- SPAN also wanted to celebrate and educate kids who are balancing plenty as the pandemic continues. This past summer, SPAN hosted a virtual [Schwab Kids Day](#)⁴⁷ and ultimately connected more than 900 Schwab families around the country with special kid-friendly boxes full of puzzles, art projects, and financial literacy materials.



- Schwab is rethinking how to celebrate milestones and moments of pride in a virtual environment. For example, Schwab typically celebrates Asian American month with in-person gatherings, but this year the company commemorated the month by mailing out Asian-cuisine-inspired Blue Apron meal prep packages to employees' homes and encouraging them to take pictures of the meal and share them online.
- Schwab recognizes how stress and anxiety have dramatically increased during the pandemic and how it has impacted its employee base, causing many people to feel isolated. This can exacerbate mental health issues, which coupled with civil unrest, can make it challenging for many to remain productive. Schwab is trying to highlight more support mechanisms to help cope, particularly at Registered Investment Advisor (RIA) firms.
- In the past few months, Charles Schwab has onboarded more than [1,800](#)⁴⁸ employees, almost entirely over the internet. The enterprise learning and talent management team is working to figure out how to make new employees feel welcome. New employees are sent "Schwag," including a backpack and a note from team leaders. They are also paired with a "Schwepard," an existing employee who answers their questions, and encouraged to check out the "Schweb" intranet to learn more about the company. If team members need to be onboarded in the evenings or on weekends due to competing client or family commitments, the enterprise learning and talent management team provides Uber Eats discount codes to them.



SCHWAB ADVISOR SERVICES SUPPORT OF THE REGISTERED INVESTMENT ADVISOR (RIA) INDUSTRY



More and more RIA firms recognize the need to diversify their talent portfolio to address changing investor demographics. In the RIA space, Schwab makes a concerted effort to support its clients' initiatives to recruit and retain more women, people of color, and younger generations in the industry. [The RIA Talent Advantage program, founded in 2014](#),⁴⁹ encourages creating a culture of inclusivity at RIA firms in an effort to support their hiring and retention strategies. The program supports advisors with tools, resources, and networking opportunities to attract, develop, and retain diverse talent, as exemplified in the following materials: [Diversity Recruitment Strategies](#), [Six Key Behaviors of Inclusive Leadership](#),⁵⁰ and [The Opportunity in Diversity](#).⁵¹ The program also includes advice on how to develop an [effective talent development strategy](#),⁵² and explains how sponsorship can help develop talent and improve employee engagement and retention.

The program uses targeted communications tactics to raise awareness around the value of a diverse workforce and best practices for building and cultivating talent at RIA firms, from social media to using infographics that both share data and direct audiences to the RIA Talent Advantage website. Communication focuses on lending support to its advisors, from connecting them with students, to sharing resources (such as the [RIA Intern Program Alumni Resume Book](#)⁵³), to facilitating spaces for those connections to happen. The alumni resume book lists individuals who have completed Schwab's RIA intern program and are now actively seeking employment with RIA firms. These types of activation strategies and tactics are key to Schwab's efforts to support diversifying RIA firms.

Additionally, the [RIA Talent Advantage® Recruitment Playbook](#)⁵⁴ is a thorough resource to support RIAs in their effort to attract and retain diverse talent. The playbook prepares RIAs with actionable tips, insightful examples, and convenient forms and templates to strengthen opportunities for recruiting, hiring, and retaining their ideal candidates. The playbook was designed to help advisors evaluate their recruiting needs and take the first steps toward beginning their search for the ideal candidates. It drills down on the importance of planning and foresight in crafting effective recruitment and retention strategies. The playbook also provides the business case for thinking beyond traditional candidate profiles and considering a range of diverse talent — gender, age, and ethnic diversity — as well as talent from outside the financial services industry. Recruiting is an ongoing process of looking for the best people with the skills and talent required to implement a firm's business strategy. The playbook helps RIAs understand that investing time in developing its talent management plan and executing it in a thoughtful manner will ensure the growth and longevity of its firm.



Guidance Through 1-1 Support

Increasingly, RIA firm leaders reach out to Schwab seeking specialized help. These interactions begin with a discovery call to understand the RIA firm's current efforts to create a diverse and inclusive workplace, as well as its specific needs and overall objectives. Schwab has facilitated numerous training sessions, including full-day workshops where RIA firms have shut down their offices to afford every employee the opportunity to participate.

For example, in early 2020, Schwab facilitated a full-day workshop with a San Francisco-based RIA firm that also has a team in the New York City area. The firm had recently developed its Diversity, Equity, and Inclusion (DEI) strategic plan and was specifically seeking Schwab's support to create a forum that would communicate their DEI plan to all employees in a meaningful and impactful way. Working with the

RIA firm's leaders, Schwab designed the workshop to cover foundational topics such as what is diversity and inclusion and why is it important to the future of a firm, what is unconscious bias and privilege, and how to drive action. Most importantly, the firm's DEI committee presented the DEI strategy, objectives and tactics to the entire firm and Schwab engaged participants in discussing their role in the strategy's success. Employees shared ideas around the goals and agreements they would make as a firm, a team, and individually. The success of the workshop, and the RIA firm's overall DEI efforts, was due to the commitment and tone set by the founder, who shared their personal story to kick off the workshop and closed the day with their appreciation to every team member, their personal learnings, and ongoing focus to support and prioritize the firm's DEI efforts.

Advocating for the RIA Industry with the Next Generation

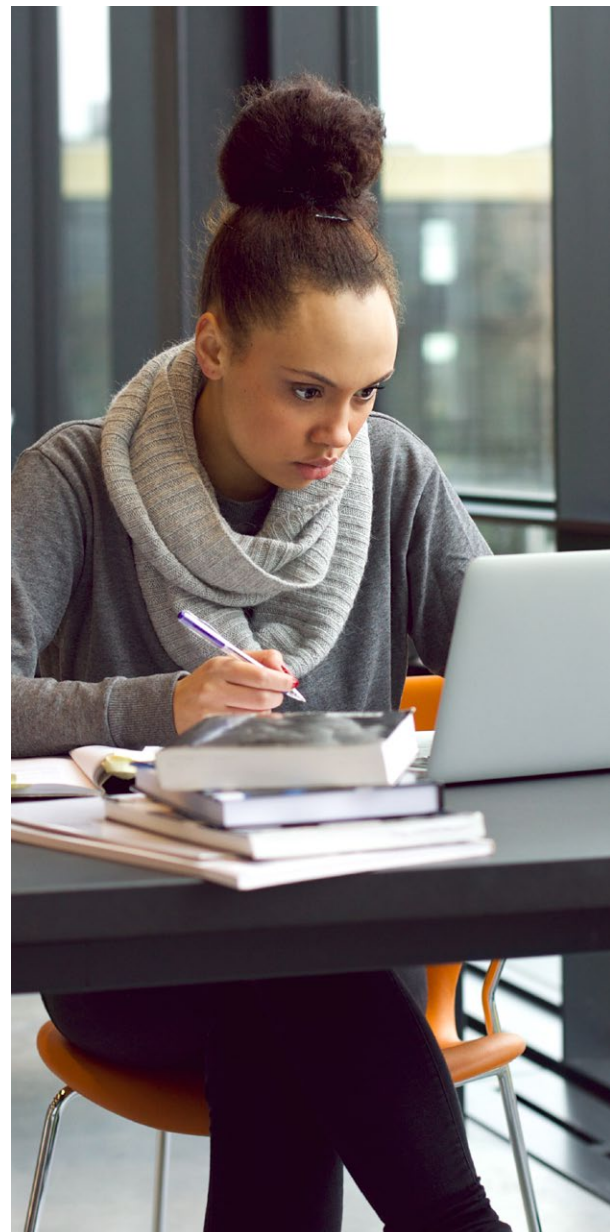
Schwab Advisor Services has always been an advocate for cultivating the next generation of talent for the RIA industry. Through its University Grants program, Schwab Advisor Services focuses on creating awareness of the industry with students and supporting the development of first-class talent for advisors. To support these goals, Advisor Services partners with the Charles Schwab Foundation to establish and grow strong financial planning programs at universities across the country. Some of these universities include Temple University, the University of Georgia (UGA), Texas Tech University, and the University of Texas at Austin. Several of these partnerships are multi-year endeavors that launch classrooms and labs equipped with first-class technology and resources that enable faculty to do what they do best: educate future financial advisors.

The success of these programs has provided opportunities for local investment advisors to connect with potential talent and engage with universities through guest speaking events, career networking, and student mentorship.

Every year since 2008 Schwab has invited up to 100 students and faculty from colleges and universities across the country, including minority serving institutions (MSIs), to attend its premier IMPACT conference as part of the Student Program. While the faculty is charged with identifying the students that will attend, Schwab highly encourages them to bring diverse students to the conference. Students participate in a career fair, engage in a young advisor panel, and attend networking events, keynotes, and educational sessions alongside advisors and RIA firm leaders. At the career fair and throughout the conference, students meet and interview with firms who are currently hiring for intern and/or full time positions. Many students continue conversations with firms well after the conference with some securing positions with the firms they met at the IMPACT conference.

Now in its eighth year, Schwab's RIA Summer Intern program offers undergraduate college students a full-time, eight-week rotational program designed to prepare them for employment with RIA firms. Through a curriculum of over 100 educational sessions, students gain practical experience in client services, custody and trading support, portfolio construction, financial planning, technical skills, due diligence, and investment research. Launched in 2013, 129 interns have participated in the program from across 34 colleges and universities. Of those 129 interns, 44% of RIA interns are women. Of the RIA interns that have gone on to work at an RIA firm as a result of the program, 45% are women. Similar to the Student Program at IMPACT, Schwab reaches out to colleges and universities across the country, including MSIs, inviting students to apply for the internship.

In 2020 due to the COVID-19 pandemic, Schwab transitioned its RIA Summer Intern Program to a virtual format with interns working from various home locations across the country. The interns contributed to a number of projects, including creating resources focused on [creating awareness of the RIA profession](#)⁵⁵ with their college peers and providing insights to advisors on [how to attract the next generation of talent](#)⁵⁶ to its firms.



Tactics for Attracting Diverse Talent

Tactics to help attract diverse talent to RIA firms include leveraging marketing efforts to communicate the firm's culture, posting inclusive job descriptions, forming a diverse recruiting/interviewing team, and reaching out to the diverse communities the firm is trying to recruit.

Leverage marketing to communicate culture

A firm's website is their calling card. It is often the first interaction potential candidates have with a firm and can influence their perceptions about who the firm is, who they serve, what they offer, the values it holds, and the vision it pursues. Ensuring the firm's website and other marketing materials appropriately reflects their business, values, and culture is key. A good place to start is revisiting the use of images and examining the messages they convey. Do the images reflect the firm's culture? Do they tell a story about the firm that appeals to the talent and clients they want to attract?

Firms with a presence in social media can tell stories of diversity as a way to amplify the diverse and inclusive workplace of the firm. For example, highlighting women's networking or mentoring events, volunteer work within the local community, or annual diversity celebrations (e.g., Black History Month, Hispanic Heritage Month, Pride Month). These stories could signal to prospective talent and clients more about who the firm is and what it values. [NOTE: As general practice, consider consulting with a compliance professional to ensure any social media activity is appropriate and within regulatory guidelines.]

Post inclusive job descriptions

When seeking to attract a wide audience of qualified candidates for open positions, RIA firms can pay special attention to the language their firm uses in job descriptions. Online web-based tools, such as [Textio](#),⁵⁷ can be helpful in writing inclusive job descriptions to better attract diverse candidates.

Form a diverse recruiting/interviewing team

RIA firms can explore establishing a recruitment/interview team to help ensure that all aspects of the hiring process are coordinated — from posting the opening and screening resumes to interviewing and making the offer. Firms could also consider including colleagues who can add a variety of perspectives — newer employees and those with long tenures; men and women; employees with multicultural backgrounds; those entering the workforce just out of college and career changers coming from outside the financial services industry. Building a diverse recruitment/interview team will enable firms to leverage the different experiences and styles of their employees, which can result in a more robust and holistic candidate evaluation process. Smaller firms may want to ask their centers of influence to participate on recruitment/interview teams to further solidify those relationships.

Reach out to diverse communities of talent

Beyond posting the job, it's important that firms recognize where they are currently looking for talent and whether it's helping them to reach the diversity they're seeking, especially how they are reaching the communities of talent they're looking to hire.

To identify and attract new pools of talent, RIAs need to make a concerted effort to raise awareness of the opportunities in their industry. Recruiting diverse candidates for their firms starts with knowing where to find them. To identify opportunities to network with and educate new pools of talent, firms may consider reaching out to affinity groups and associations such as the following:

FINANCIAL SERVICES ORGANIZATIONS

- Asian American Insurance & Financial Professional Association, aaifpa.org
- Association of African American Financial Advisors, aaafainc.com
- Financial Women's Association, fwa.org
- Latinos in Finance, latinosinfinance.org
- National Association of Black Accountants, nabainc.org

MBA ASSOCIATIONS

- National Association of Asian MBAs, ascendnaamba.org
- National Association of Women MBAs, nawmba.org
- National Black MBA Association, nbmbaa.org
- National Society of Hispanic MBAs, nshmba.org

PROFESSIONAL ORGANIZATIONS

- Association of Latino Professionals for America, alpfa.org
- National Association of Asian American Professionals, naaap.org
- National Association of Professional Women, nationalassociationofprofessionalwomen.com
- Society of African American Professionals, soaap.org
- Avant-Garde Network, avantgnetwork.com
- iRelaunch, iRelaunch.com

UNDERGRADUATE ORGANIZATIONS

- Smart Woman Securities, smartwomansecurities.com



In addition, most colleges and universities have a thriving network of student-led organizations. Contact your alma mater or local college or university to learn more about potential organizations that could be a source of diverse talent.

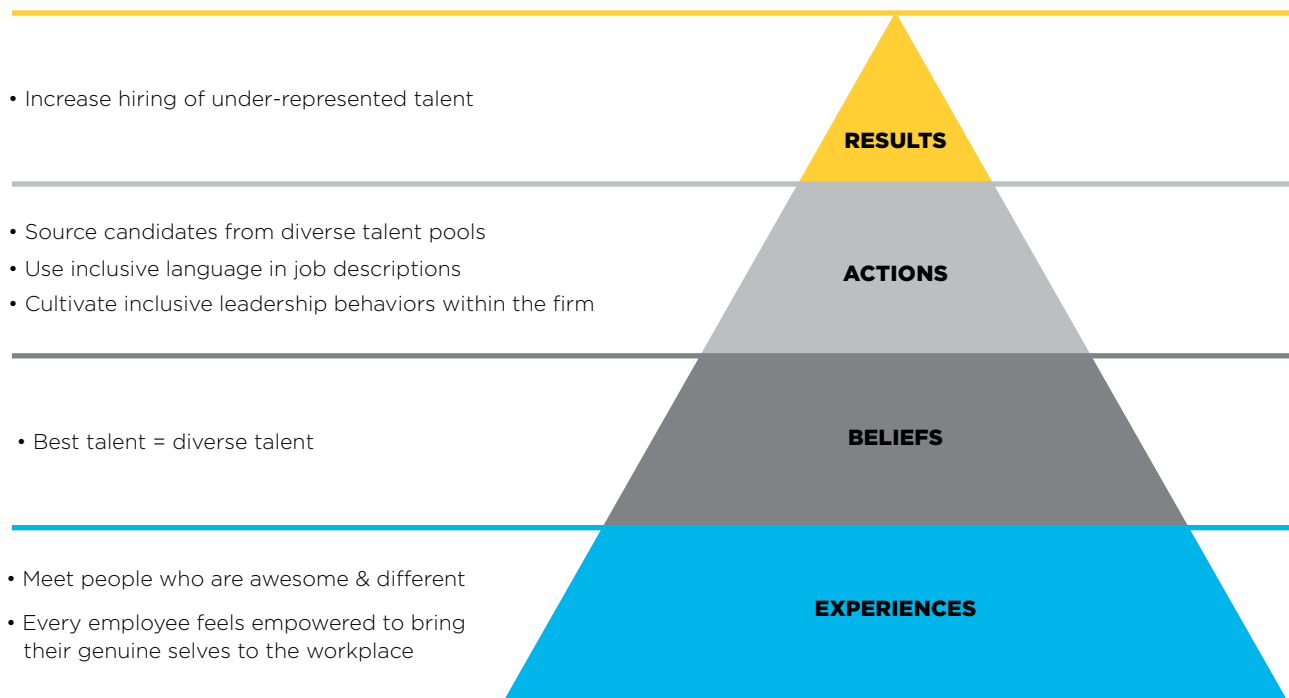
An Approach to D&I for RIAs

A framework for approaching D&I that RIA firms can explore is the Results Pyramid by Roger Connors and Tom Smith, which defines four levels of a pyramid representing: (1) creating impactful inclusive experiences that (2) shape the beliefs and values of a firm and (3) drive the actions they want to take to (4) achieve the results they desire. This framework also works from top-to-bottom — first defining the results you want to achieve, then identifying the actions you will take that align to your firm’s beliefs that will ultimately create impactful, inclusive experiences.

For example, within the context of D&I, firms might look to increase hiring under-represented talent, outlining their desired

result. Following the Results Pyramid, firms could look to source talent from diverse networks (see list from prior section), use inclusive language in job descriptions, and cultivate inclusive leadership behaviors — all driven by their belief that the best talent for their firm is diverse talent. Guided by this belief, firms are likely positioned to create a virtuous cycle of meaningful, inclusive experiences in the workplace, stemming from actions that consistently demonstrate their commitment to attracting more diversity.

The Results Pyramid framework is one approach to thinking about and organizing a firm’s D&I efforts. Whatever the goal, thinking through each layer of the pyramid may help to ensure that what firms are trying to accomplish aligns with their values and beliefs — and that the investment of time and resources is consistently focused on their desired outcomes.



CONCLUSION

Initially established to serve as a catalyst to address challenges across the financial planning profession, the Center has built its reputation as a thought leader and driving force to build a more inclusive and diverse financial planning profession. The Center has been able to accomplish this through the partnership and support of firms, influencer organizations, professional associations, and CFP® professionals.

While we know that as individuals and representatives of organizations we have the agency and power to start these powerful conversations, now is the opportune moment to move beliefs to actions. We invite all of our stakeholders, partners, firms, and CFP® professionals to take inspiration from the stories shared in this paper to move their own ideas forward and help us transform and sustain our profession. The task ahead will take all of us and require sustained commitment, collaboration, and resources.

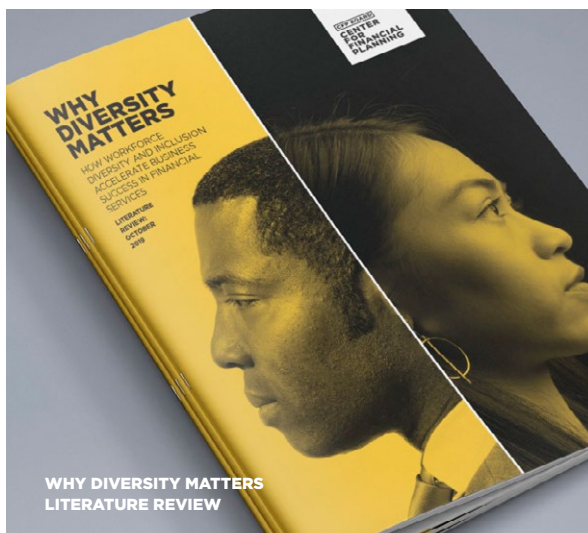
As we continue to experience the effects of the health pandemic and the national racial reckoning, we must remember to center, uplift, and support people of color in all facets of our work. The burden cannot and will not be carried by people of color alone. We'll especially need allies to step in and dismantle structural barriers that prevent us from having a diverse, inclusive, and equitable workforce.

As we've seen throughout our work together, the journey towards a more diverse and inclusive workforce is a marathon, not a sprint. We have to put in the work day in and day out. Many of the changes will result in gradual and intangible differences that may not be perceived at first glance but we must not be discouraged by incremental changes; we must remain steadfast in our commitment to sustain these actions that will contribute to a more diverse and inclusive profession. On behalf of CFP Board, the Center, and the Diversity Advisory Group, we thank you for your work and implore you to continue in this long journey and move from talk to action with us.

ABOUT THE CENTER

The mission of CFP Board's Center For Financial Planning is to create a more diverse and sustainable financial planning profession. As part of its pursuit of this goal, the Center has developed a wide range of initiatives, including:

- **Producing *Diversity in Action: How to Sustain the Financial Planning Profession***, a compilation of case studies from select firms that outline their initiatives aimed at increasing racial and ethnic diversity with scalable insights for readers to be able to replicate that work themselves.
- **Releasing *Why Diversity Matters: How Workforce Diversity and Inclusion Accelerate Business Success in Financial Services***,⁵⁸ a compilation of data and evidence demonstrating that greater diversity leads to business success, including stronger overall financial performance, stronger sales revenue, customer growth, greater market share, and higher profit levels.



- **Publishing *Racial Diversity in Financial Planning: Where We Are and Where We Must Go***,⁵⁹ a thought leadership paper that outlines research-based, actionable solutions for key stakeholders to create a more diverse and inclusive profession.

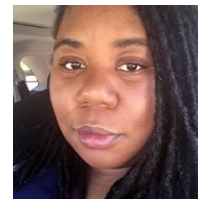


- **Hosting Diversity Summits** to engage and hold stakeholders accountable for advancing diversity, equity and inclusion, by showcasing case studies and best practices for hiring, developing and retaining diverse CFP® professionals.



- **Launching the “I am a CFP® Pro” campaign** to attract young, diverse talent into the profession by highlighting the many benefits of a career in the financial planning profession and dispelling common misperceptions through “day-in-the-life” videos and stories shared on social media.
- **Offering the CFP Board Career Center** connecting financial services firms with CFP® professionals and candidates currently in the certification process through jobs, internships and online career fairs.
- **Publishing *Financial Planning Career Paths: Building More Sustainable and Successful Businesses*** to help firms structure and effectively communicate career path opportunities in financial planning. Building upon this widely read guide, in 2021 the Center will release the *Career Path Guide for Aspiring Financial Planners*.

“ I am both honored and grateful to have been chosen as a recipient of the Richard B. Wagner Memorial Scholarship. Being awarded this scholarship will help me on my path to becoming a CFP® professional, so that I can continue to help individuals and families become financially stable and build generational wealth. ”



LOVETTA TOBEY
Financial Counselor

- **Providing scholarships to underrepresented populations** that support qualified students with completing education requirements for CFP® certification. The Center currently manages six scholarship funds. To date, the Center has awarded 100 scholarships, totaling approximately \$500,000.
- **Launching the CFP Board Mentor Program** to connect aspiring CFP® professionals with experienced CFP® professional mentors to help guide them through the certification process. The program offers a variety of mentor-mentee matching options, including gender, race and ethnicity.
- **Raising awareness of the profession among women** through engagement of over 500 WIN Advocates to educate women and girls about careers in financial planning.

GLOSSARY OF TERMS

Access: Creating the necessary conditions so that individuals and organizations desiring to, and who are eligible to, use available services, facilities, programs and employment opportunities.⁶⁰

African American: Nonwhite person of African descent who lives in the United States. Not a synonym for Black.

Allyship: An active and consistent process in which a person makes a commitment to recognize their privilege (based on gender, class, race, sexual identity, etc.) and act in solidarity with marginalized groups of people.⁶¹

Black: Nonwhite person of Black descent, regardless of national origin. Not a synonym for African American.

DEI/D&I/DE&I: Terms being used throughout this paper to be inclusive of the terms diversity, equity and inclusion as listed in the glossary of terms.

Discrimination: The unequal treatment of members of various groups based on race, gender, social class, sexual orientation, physical ability, religion, and other categories.⁶²

Diversity: Includes all the ways in which people differ, and encompasses all the different characteristics that make one individual or group different from another. It is all-inclusive and recognizes that everyone and every group should be valued. A broad definition includes not only race, ethnicity,

and gender but also age, national origin, religion, disability, sexual orientation, socioeconomic status, education, marital status, language, and physical appearance. It also involves different ideas, perspectives, and values.⁶³

DEI/D&I/DE&I: Terms being used throughout this paper to be inclusive of the terms diversity, equity and inclusion as listed in the glossary of terms.

Ethnicity: A social construct that divides people into smaller social groups based on characteristics such as shared sense of group membership, values, behavioral patterns, language, political, and economic interests, history and ancestral geographical base. Examples of different ethnic groups are: Cape Verdean, Haitian, African American (Black); Chinese, Korean, Vietnamese (Asian); Cherokee, Mohawk, Navajo (Native American); Cuban, Mexican, Puerto Rican (Latino); Polish, Irish, and Swedish (white, or generally assumed to be white).⁶⁴

Equality: Evenly distributed access to resources and opportunity; uniform distribution of access that may or may not result in equitable outcomes.⁶⁵

Equity: The guarantee of fair treatment, access, opportunity, and advancement for all people and at the same time striving to identify and eliminate barriers that have prevented the full participation of some groups. The principle of equity acknowledges that there are historically underserved and underrepresented populations, and

that fairness regarding these unbalanced conditions is needed to assist equality in the provision of effective opportunities to all groups.⁶⁶

Implicit Bias: Also known as unconscious or hidden bias, an implicit bias is an association that people unknowingly hold. They are expressed automatically, without conscious awareness. Many studies have indicated that implicit biases affect individuals' attitudes and actions, thus creating real-world implications, even though individuals may not even be aware that those biases exist within themselves. Notably, implicit biases have been shown to trump individuals' stated commitments to equality and fairness, thereby producing behavior that diverges from the explicit attitudes that many people profess. The Implicit Association Test (IAT) is often used to measure implicit biases with regard to race, gender, sexual orientation, age, religion, and other topics.⁶⁷

Inclusion: The act of creating environments in which any individual or group can be and feel welcomed, respected, supported, and valued to fully participate. An inclusive and welcoming climate with equal access to opportunities and resources embrace differences and offers respect in words and actions for all people.⁶⁸

Influencer organization: Non-profit organizations led by and focused on people of color and/or working to advance financial wellness.

Latino/Latinx/Hispanic: Terms being used throughout this paper to be inclusive of Latina, Latino, and Latinx to reference any person, regardless of gender identification, who is of Latin American or Hispanic heritage.

Privilege: Any unearned benefit, right, or advantage one receives in society by nature of their identities.⁶⁹

Race: A social construct that artificially divides people into distinct groups based on characteristics such as physical appearance, ancestral heritage, cultural affiliation, cultural history, ethnic classification, and/or the political needs of a society at a given period of time.⁷⁰

Racism: Individual, cultural, institutional, and systemic ways by which different consequences are created for groups historically or currently defined as white being advantaged, and groups historically or currently defined as non-white (African, Asian, Hispanic, Native American, etc.) being disadvantaged. We use this term in alignment with those who define racism as "prejudice plus power." Combining the concepts of prejudice and power points out the mechanisms by which racism leads to different consequences for different groups. The relationship and behavior of these interdependent elements has allowed racism to recreate itself generation after generation, such that systems that perpetuate racial inequity no longer need racist actors or to explicitly promote racial differences in opportunities, outcomes, and consequences to maintain those differences.⁷¹

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