WHITE PAPER

An Investigation into Bias in Wealth Management:

***Forbes* America's Top Wealth Advisors List**

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Private wealth managers make a lot of money, and they control a lot more. Yet the field is remarkably homogeneous. In 2021, women accounted for only 33% of personal wealth advisors, and people of color accounted for only 22%.

Why? There's a difference of opinion. In a 2017 study, certified financial planners were asked the root cause of the lack of Black and Latinx professionals in the field; 58% of the white financial planners said it was because minorities were reluctant to pursue the field; less than 30% of Black and Latinx planners agreed.

Research shows that two common patterns of bias contribute to this disparity. A study by the Yale School of Management and the Columbia Business School showed that on a web platform with investment recommendations by both men and women, women's recommendations were clicked 25% less...unless they had an established history of high earning. This is classic prove-it-again bias, where men are judged on potential whereas women must have a cash-on-the-barrel proven record of accomplishment. A survey of over 500 women in senior banking roles in Australia detailed how they need to walk a tightrope between being seen as too masculine (competitive, ambitious, direct) to being likable and too feminine (modest, interpersonally sensitive, nice) to be competent. Men have to walk no such tightrope, making their office politics far less complex. Lab studies show that people of color, too, walk a tightrope: often being deferential is the price of being seen as reasonable.

This is a vast and complex topic; as a way in, we decided to focus on the *Forbes* America's Top Wealth Advisors List to gain insight into the ways that white men are carried along by the current as women and people of color[1] find themselves struggling to swim upstream. To say that white men predominate is an understatement: on the 2020 list there were 5.4 times the number of white males as compared to women and minorities combined. Whereas women are about a third of wealth advisors, only 10.4% of the 2020 *Forbes* list consists of women; whereas people of color were about a fifth of wealth advisors, only 6% of the 2020 list were people of color. The 2021 list is similar. Women and people of color make up 10% and 5.6% of the list, respectively, and there are 5.6 times the number of white men as compared to both of these groups combined.

Nonetheless, at the top of the 2020 list, five wealth advisors are featured, only one of whom was a white man. The white man was the only one who is quoted analyzing the economy; the quotes from all the others were about diversity, mostly blaming underrepresented groups or denying the problem. Raj Bhatia cheerfully noted that the business "is more accepting and a better environment than when I joined." Laila Pence intimated that the problem was that clients didn't trust women, but that women could do well if they performed femininity correctly: by being super empathetic. Jacqueline Willens blamed the lack of diversity on failure to get the right education, which is ironic since being a wealth advisor is one of the few high-level managerial/professional careers that does not require a college degree. The only dissonant note was Bruce Burrows, a black man who opined that inclusion had "moved slowly." The sole white man cited spoke about the impact of COVID-19 on the economy. By 2021, diversity and inclusion were passé.[2] No one on the 2021 list was asked to speak about diversity, and all of the comments about diversity from the 2020 list were taken down – despite the fact that the one comment from a white man was left up.

The *Forbes* advisor rankings are based on data gathered by SHOOK Research, which is run by Robert Shook. He originally led The Winner's Circle Organization, which formed the Barron's list, before selling the company to Barron's in 2008 and forming a different list at *Forbes*. Presumably as a form of product differentiation, he makes a big deal about how the *Forbes* list is not a "robo-ranker" that focuses only on numbers, but instead uses qualitative factors such as interviews. SHOOK Research highlights that they are the only ranking firm that interviews advisors – though they admit that sometimes the interviews occur after the ranking is published, which leaves the role of the interviews obscure. Of the two wealth advisors we happened to chat with, one had never been interviewed, while the other's interview was perfunctory and brief.

Moreover, we can't seem to make the numbers of interviews add up. In the description of the methodology for the 2022 women's list, SHOOK Research boasts about the 13,000 telephone interviews they conducted; but clearly not all of those interviews were with women, because fewer than 10,000 female advisors were nominated. Isn't it misleading to use this figure to explain the women's list?

Adding to the confusion, when the 2021 co-ed list was released, they didn't include a gender breakdown of the nominees, so it's impossible to tell what percentage of women nominated made the list. SHOOK's process for conducting interviews is complicated to say the least.[3]

If the interview doesn't matter, what does? Supposedly, an individual's assets under management (AUM) does. This is a curious metric. It made sense when the profession consisted chiefly of individual broker-dealers, maybe two stockbrokers, who were paid chiefly through commissions. Today, many wealth advisors have moved towards financial consulting and planning, performing a much wider variety of skill sets and services, and are paid chiefly through fees. Given that history, it's not surprising that the firms of many of the advisors listed are insistent that their value-add is that they work in teams. An example is Team Global at Morgan

Stanley, which was co-founded in 2008 by Ron Basu and Rachael Naylor. Team Global touts their "20-member team of experienced planning, investing and clients service professionals who combine [their] talents to serve a global clientele…" Nonetheless, Basu is ranked 26 on the 2021 list, while Naylor is ranked 228 on the 2021 women's list only and is not even ranked on the 2022 women's list.[4] The situation is made even more confusing because SHOOK does not include individual AUM in its published list; only team AUM. Why highlight team AUM if it doesn't play a role in the list?

Curiouser still, if you rearrange the 2021 list based solely on team AUM, 38 men are kicked off the list and are replaced by women.[5] The new list is 74.8% male and 25.2% female – a breakdown that is roughly proportional to the male and female nominations received in 2022 based on the only gender breakdowns SHOOK has released for public view. Whatever SHOOK's magic black box, it seems to be very effective at knocking eligible women out of the pool. *Forbes* of course knows this, and in 2017 responded by forming a separate list for women. Excuse me, but we thought separate but equal was discredited quite a time ago? Is it really helpful for women to publicize that they are also-rans who did not make the "real" list?

But the weirdest thing is that when we identified 21 pairs of co-workers (including those listed on the 2021 co-ed and women's lists), we found that only seven were ranked consecutively.[6] This means that qualitative data must weigh heavily because they operate to so dramatically affect rankings. Either that, or there were backroom negotiations where the company decided to give one coworker credit for far more of the team AUM. It is precisely in these kinds of backroom negotiations that women are disadvantaged. The dynamic occurs all the time to lawyers in the award of origination credit; one study found that one third of white women income and minority partners reported being "bullied, threatened, or intimidated" out of valuable origination credit. We also persistently hear from women partners that they are expected to share origination credit but many male colleagues are not.

Pursuing the theory that it's qualitative data that make the difference, which qualitative data play such an important role? Many of the qualitative factors, notably best practices and service models, will be shared by all of a team, so these factors must not be weighted heavily, given that team members end up at such dramatically different ranks. David Singer, for example, ranks 53 on the 2021 list, while his co-worker Linnell Sullivan does not make the co-ed list at all and ranks only 30 on the 2022 women's list.

Another qualitative factor SHOOK Research says they rely on is compliance records[7], but we found that men on the list had nearly double the number of serious compliance issues as women on the list, so it seems that such disclosures are not weighted heavily. Bias research shows that poor behavior is more readily tolerated in men than women. Can this explain the fact that Andy Burish ranks at 30 on the 2021 list, despite his two customer disputes in the past year requesting over 20 million dollars in damages, and why Jason Stephens ranks 137, despite

having been [fired](#) in 2009 for allowing a trainee to complete his continuing education courses… but top women on the co-ed list have nearly no compliance issues?

Another odd thing: we found that male coworkers are often rated consecutively, but this is much less true of the women they work with. In fact, there was only one instance in which a female co-worker ranked above a ranked male co-worker.[8] There were lots of instances where men did. It makes sense that coworkers are ranked consecutively, but how does it make sense that male ones are and their female colleagues aren't? Perhaps we're missing something.

Another way SHOOK avoids scrutiny is that each year's list is promptly taken down when the new year's list is published, so that it is not available anywhere on the web that we could find. But we had a copy, so we compared the 2020 list with the 2021 list. What we found were very dramatic differences in the rankings: Eight people who were in the top half of the list in 2020 were entirely absent in 2021. Shannon Eusey's completely absent despite the fact that she ranked 92 on the 2020 co-ed list and even ranked 10 on 2021's women's list. *Forbes* even wrote an [article](#) about her success last year to accompany the release of their 2020 list (and yes, they asked her about the lack of gender diversity in the industry). If the SHOOK list is truly not a robo-ranker, then the list would not change dramatically from year to year – after all, the service model remains the same, the compliance record remains the same, and presumably no one grows antlers in year two and blows the interview. Is it differentials in individual AUM that make the difference?

The final question is whether any of this even matters anyway. Everybody knows that SHOOK Research taps the advisors it ranks to sell them tickets to conferences, advertising and other marketing paraphernalia, and to offer seats on panels (to which it then sells more tickets). It's a business model that Robert Shook sold once and then re-created a second time – one has to admire his drive. But it's a business model that systematically disadvantages women and people of color. Either *Forbes* should explain it and defend it, or it should stop it. As it is, the *Forbes* list is just one more element of a system where white men sail with the wind at their back, while everyone else has to tack back and forth a million times trying to keep up.

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Methodological Appendix

[1]Racial Breakdown

The races and ethnicities considered for calculations were white, Black, Latinx, and Asian. In order to find race/ethnicity information, we googled each advisor. We were able to determine their race based on the advisors' biographies, participation in organizations, and other information gathered from firm websites, LinkedIn, and press interviews.

[2]Missing Information

Forbes does not provide links to previous years of their various lists. Any link that is supposed to bring you to a certain year's ranking redirects you to the most recent year's list. This prevents readers from comparing the rankings year to year. This also means that the quotes provided by the featured advisors above each list are not available from years prior.

[3]Interview Claims

The women's list was released in February 2022, and the methodology page notes that as of February 2022 they had received 34,500 nominations, 9,850 of which were women. They also claim to have conducted over 13,000 phone interviews. The interview figure is clearly not representative of their methodology for the women's list alone, since there are not even 13,000 female nominees. So, this methodology page does a poor job of explaining how exactly they decided on the women's list ranking since the numbers used include men.

[4]Basu and Naylor

Basu and Naylor began working together at Lehman Brothers before co-founding Team Global at Morgan Stanley in 2008 alongside their co-worker Chris Toomey. They may encompass slightly different roles within the team, but the team language on their firm site suggests that they collaborate and work together to serve their clients. They have even earned rankings on other lists for their success as a group.

[5]Re-Ranking by Team AUM

Team AUM for the ranked advisors are published alongside the list, despite SHOOK Research's claims that they do not factor into the ranking algorithm. The 2022 women's list was combined with the 2021 co-ed list and rearranged from highest team AUM to lowest team AUM. Duplicate rankings from women who were featured on both lists were removed. Using the new list of top 250 advisors, we calculated the gender and race breakdowns to see how they compared to the original lists. The new, rearranged list was comprised of 63 women and 187 men. 38 men and 2 women from the original list were pushed off. The 63 women that make up the rearranged list

include 23 women who were on the original 2021 co-ed list and 40 women from the 2022 women's list. The rearranged list maintained the same lack of racial diversity.

[6]Co-Workers

We noticed that there were 21 pairs of co-workers across both 2021 lists. Seven of these pairs are ranked alongside one another on either the co-ed or women's list. Two of these consecutively ranked pairs are on the women's list. On the co-ed list, there are three pairs of brothers, one pair of male co-workers, and a single male and female pair of co-workers ranked consecutively. The remaining fourteen pairs of co-workers are separated, with some pairs differing in rank by only five, and other pairs not even making it onto the same list.

[7]Compliance Records

Using FINRA's BrokerCheck we were able to search every advisor to see what kind of U4 disclosures they had. We took note of the total number of disclosures, the severity of the disclosures, and the number of disclosures from the past five years. Minor offenses were classified as complaints that had been closed, withdrawn, or denied. Serious offenses were classified as complaints that resulted in regulatory fines, termination, lawsuits that ended in a settlement, or ongoing lawsuits.

[8]Consecutively Ranked Male and Female Co-Worker

Valerie Houts and Thomas Hutson-Wiley rank consecutively on the 2021 co-ed list at 171 and 172, respectively. They work as team members for Merrill Lynch's Venture Services Group. Outside of this pair, there are no male and female co-workers that rank consecutively, or with the woman ranking above the man.