

DIVERSITY AND EQUALITY

How wealth management can better serve AAPI clients and advisors

By Victoria Zhuang

When financial advisor Lena McQuillen was growing up in the U.S., she observed her Korean-born mother struggle with English as a second language and miss out on career opportunities because of her lack of education and scant financial literacy.

"Watching what she went through, all the struggles she had, that's really what shaped my career in financial planning," she said. Today, she is the director of financial planning at Bailard, a registered investment advisor in the San Francisco Bay area that is majority owned by women and people of color and led by a female South Asian CEO, with around \$5.3 billion of total assets under management.

Added McQuillen, whose American-born father is of European descent: "I wanted to make sure that I'm providing support and education to those that are in similar situations as my mother."

And to Asian Americans and Pacific Islanders who are climbing into the ranks of the mass affluent or higher.

The group occupies a "disproportionate share of the affluent population in the U.S.," a report in March by Merrill Wealth Management found, and AAPIs also belong to the fastest-growing racial or ethnic group in America — their numbers reaching almost 26 million, according to Census estimates. So employers and advisors who can engage with those communities will secure an important source of untapped organic growth.

Yet the niche group remains underserved by the wealth management in-



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dustry, and so are advisors from those communities, research suggests.

Valerie Wong Fountain, a chartered financial analyst who is a managing director and the head of Family Office Resources Platform & Partner Management at Morgan Stanley, said she found a recent study of AAPI individuals by Coqual, a nonprofit think tank, a sign that AAPI financial advisors could benefit from extra support from their firms to boost their profile at work.

"The report discusses the bamboo ceiling, a commonly known phrase among our community that Asians are, quote, good workers, not good leaders," she said of the study, released

in January, which Morgan Stanley co-sponsored.

"There's a feeling that many AAPIs have described to me about being underserved or under celebrated," Wong Fountain added. "In terms of AAPI financial advisors, it's really important for advisors to invest in their brands, for their firms to help them with their brands, to invest in their networking relationships."

How advisors can engage with AAPI clients

McQuillen entered the field around 25 years ago as a receptionist, then worked her way up, becoming a certified financial planner.

For her, as for many financial advisors who identify with the highly diverse Asian American and Pacific Islander communities, coming from an AAPI background means recognizing that those clients, who often have stories like her mother's, have unique challenges and needs that the rest of the industry often overlooks — especially when they're first-generation immigrants.

In McQuillen's case, her mother's experience has helped her to empathize with AAPI clients whose financial behaviors may deviate from the standard advice given to investors, such as prioritizing saving for retirement.

AAPI clients, with a mindset that identifies college education as a golden ticket to class mobility, often single-mindedly focus on paying for their children's education, McQuillen said.

Because her late mother could not afford a college education, "her main focus was making sure that I had an education, that I went to college. She did what she could to help me there," she said.

But that kind of tunnel vision risks putting an immense burden on AAPI second-generation children to provide entirely for their parents' old age, in addition to their own children and in many cases relatives overseas, according to Margaret Chin, a professor of sociology at Hunter College and The Graduate Center at CUNY. These children are often the first generation of their family to achieve some degree of affluence, but that wealth might be even more fragile, with the sandwich generation-on-steroids pressure they will face under such circumstances.

"Many immigrant parents may not have access to social security or any retirement accounts because of the kinds of work or immigration status they had. Thus the affluent middle generation is really the financial support," Chin said, adding that it was likely part of a concept known as the "immigrant bargain" where parents expect — sometimes unrealistically — for their children, not their savings, to be their retirement plans.

McQuillen said that in her work, she helps such clients "see how they can accomplish all their goals, not just one." That means being more intentional about broaching retirement as an important goal to balance saving for.

Different investing styles

In many cases, these clients are also very risk-averse, she said. Yet saving for long-term goals such as retirement or education for their children can be aided by investing — which is often another financial literacy teaching opportunity.

Ismat Khimani, a Crystal Lake, Illinois-based advisor at Merrill Wealth Management who was born in Pakistan and is of Indian descent, said in an interview earlier this year that in her experience AAPI clients, once they understand an advisor's reasoning, tend to be good at staying in the market and avoiding emotional moves like buying or selling "out of greed or fear."

Coordinating with their certified public accountant can also help; "their CPA is usually their other center of influence," Khimani said.

Most importantly, given the diversity of AAPI experiences — with some subgroups, in particular East Asians, experiencing greater wealth accumulation than other subgroups, and wide variations of challenges and opportunities among the different ethnic groups — it's important for advisors to ask open-ended questions of these clients, McQuillen said.

"They need to know their culture, their background, experiences, and how that shapes their financial decisions," she said.

"Listen, learn. Don't make any assumptions."

Improving the pipeline

Even as firms can improve upon their outreach to these clients, AAPI professionals across industries, including financial advisors, also believe corporate America needs to improve on its support of their careers and advancement.

Asian Americans are the least likely racial group to be promoted up the corporate ladder, and face a lower chance of advancement than Black and Hispanic workers, despite having much higher rates of college education than any other racial group. Only 4.1% of certified financial planners identify as Asian or Pacific Islander, according to the CFP Board, yet AAPIs make up nearly 8% of the U.S. population, Census data shows.

"Asian and Asian American professionals are the least likely of any racial group to say they have role models at their company," the Coqual study found, and likewise the least likely to have sponsors. The report authors wrote that those individuals also faced significant "underrepresentation in senior-level roles" and "thin support networks," indicating those as areas where employers can offer more resources.

Separately, the small number of Pacific Islander professionals surveyed by Coqual indicated that they suffered "erasure" at work that invalidated their own histories of colonization and disenfranchisement that prevented them from accumulating wealth.

In the meantime, advisors also need look out for themselves and consider where they would be best supported, McQuillen said, adding that AAPI advisors should take time to research the diversity, equity and inclusion policies of prospective employers, see who's in the management office and ask other employees "what their thoughts are, what their feelings are."

"I did have an experience where I knew that I wouldn't be able to move up higher than the level that I was at," she said, adding only that it was at an earlier RIA employer and that she had perceived both her AAPI identity, as well as likely the nature of career ladders there, to be the reason.

"A lot of the firms that I've worked for since then, I did see a lot of diversity, I did see women in management positions, along with those in the AAPI community," she said. "It definitely is out there."