Harper Hicks - Lay Person Summary:

The field of personal financial advising is much like the medical field. In the medical field, you have various specialists: orthopedic specialists, cardiac specialists, neurosurgical specialists, etc. The list goes on and on. In the 1960s, the field of personal financial advising was much like the world of specialists in medicine. There were stockbrokers who simply focused on valuing and purchasing securities. There were insurance agents who primarily focused on insurance sales, and typically specialized in only one kind of insurance sales (i.e. life insurance, health insurance, auto insurance). There were a handful of other “specialists” as well. In the 1960s, an individual, who wanted to organize their personal finances, would call their stockbroker if they wanted to invest. If they had uncovered risks or liabilities, they had to call a different specialist. Yet again, they had to call a completely different specialist to learn about their pension plans or other retirement funding vehicles.

Through the 1970s and 80s, this structure of personal financial advising began to change. The idea of a holistic financial advisor began to take root in this period, and turned into someone who could advise people on most or all areas of personal finance. This person would be able to refer the client out to specialists if needed, much like a primary physician can refer their patient out to a medical specialist. The contemporary financial advisor functions much like a primary physician, and this helped to create an entirely new market in the world of personal financial planning.

The existence of specialists in the medical field does not negate the necessity for primary doctors. Patients still appreciate having a single doctor that they trust, know, and who can help manage the “big picture” of their healthcare. In the same way, the existence of general financial advisors or planners has not removed the need for insurance agents,
stockbrokers, retirement planners, health insurance specialists, etc. Instead, the formation and transition of the role of the financial advisor from the 1960s to the modern day has evolved out of a need for investors to have a single person that they can go to for general financial advice, and who can refer them out to specialists if needed. This project explores the role of the financial advisor, what it looked like in the 1960s, what it looks like today, and factors that drove changes throughout the past 50 years.