

VIA Federal eRulemaking Portal

April 12, 2021

Ms. Amy DeBisschop
Director
Division of Regulations, Legislation, and Interpretation
Wage and Hour Division, U.S. Department of Labor
Room S-3502
200 Constitution Avenue NW
Washington, DC 20210

Re: Regulatory Information Number (RIN) 1235-AA34 - Independent Contractor Status Under the Fair Labor Standards Act: Proposed Withdrawal

Dear Ms. DeBisschop:

The Financial Services Institute¹ (FSI) appreciates the opportunity to comment on DOL's proposal to withdraw the rule entitled Independent Contractor Status Under the Fair Labor Standards Act (Final Rule). The Final Rule provides a means of defining independent contractors under the Fair Labor Standards Act (FLSA) and originally had been set to become effective on March 8, 2021.² The Final Rule adopts the long standing 'economic reality test' to determine whether workers are employees or independent contractors under the FLSA. It also clarifies that independent contractors are workers who, as a matter of economic reality, are in business for themselves as opposed to being economically dependent on a potential employer for work. We supported the DOL's efforts to bring clarity and consistency to the determination of who is an independent contractor under the FLSA and believe, for that reason, that it is imperative that the Final Rule should not be withdrawn.

FSI's financial advisor members are independent business owners operating as independent contractors who enjoy the freedom of running their own practice and offering their clients comprehensive advice, products, and services. The independent financial services community has been an important and active part of the lives of American investors for more than 40 years.

As independent business owners, FSI members make substantial contributions to our nation's economy. According to a study by Oxford Economics,³ in 2020 FSI members nationwide generated \$35.7 billion in economic activity. This activity, in turn, supported 408,743 jobs including direct employees, those employed in the industry supply chain, and those supported in

¹ The Financial Services Institute (FSI) is an advocacy association comprised of members from the independent financial services industry, and is the only organization advocating solely on behalf of independent financial advisors and independent financial services firms. Since 2004, through advocacy, education and public awareness, FSI has been working to create a healthier regulatory environment for these members so they can provide affordable, objective financial advice to hard-working Main Street Americans.

² Independent Contractor Status Under the Fair Labor Standards Act, 88 Fed. Reg. 1168 (January 7, 2021), available at <https://www.govinfo.gov/content/pkg/FR-2021-01-07/pdf/2020-29274.pdf>

³ Oxford Economics for the Financial Services Institute, The Economic Impact of FSI's Members (2020) (Attached as Ex. 1).

the broader economy. In addition, FSI members contributed nearly \$7.2 billion annually to federal, state, and local government taxes. The majority of FSI members have earned a Bachelor's or graduate degree and continue their personal training and professional development, including obtaining professional licensing (Series 7 – 79%, Series 6 – 43%, Series 65 – 33%, and Series 66 – 18%).⁴ Because FSI members tend to live and work in the same community, they help to disburse FSI's impact at the community-level, increasing diversity in the workplace and involvement in their communities.

The Final Rule is critical to FSI members who are and wish to remain independent contractors without the uncertainties and costs associated with what, without clarity, has potential to be, in essence, rulemaking through litigation and enforcement. The proposed withdrawal does not consider the disruption and effect it would have from the viewpoint of the true independent contractors in business for themselves; in fact the DOL appears to assume that the Final Rule only affects a small subgroup of potentially misclassified workers. In addition, FSI respectfully submits that the proposed withdrawal is not in accord with the Administrative Procedures Act (APA) as both a procedural and substantive matter.

I. The DOL's Proposal to withdraw the Final Rule does not follow the instructions of the OMB Regulatory Freeze Memorandum or the relevant provisions of the APA.

On February 5, 2021, the DOL published a notice and request for public comment on its proposal to delay the effective date of the Final Rule until May 7, 2021. The proposed delay followed the release of OMB Memorandum M-21-14, dated January 20, 2021⁵ which states, quoting the Executive Freeze Pending Review Memorandum (Executive Freeze Memo) issued the same day⁶ that:

With respect to rules that have been published in the Federal Register, or rules that have been issued in any manner, but have not taken effect, consider postponing the rules' effective dates for 60 days from the date of this memorandum For rules postponed in this manner, during the 60-day period, where appropriate and consistent with applicable law, *consider opening a 30-day comment period to allow interested parties to provide comments about issues of fact, law, and policy raised by those rules* (emphasis added).

Although the DOL provided a 30-day comment period, it did not “allow interested parties to provide comments about issues of fact, law, and policy raised by” the Final Rule. The DOL specifically noted that it “will consider only comments about its proposal to delay the rule's effective date.”⁷

Without responding to the comments on the proposed delay, and without publishing any findings or even a suggestion that it considered the eight factors it was instructed to consider with

⁴ *Id.*

⁵ Office of Management and Budget (OMB) Memorandum M-21-14 (Jan. 20, 2021), available at <https://www.whitehouse.gov/wp-content/uploads/2021/01/M-21-14-Regulatory-Review.pdf>.

⁶ Regulatory Freeze Pending Review: Memorandum for the Heads of Executive Departments and Agencies (Jan. 20, 2021), available at <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/20/regulatory-freeze-pending-review/>.

⁷ Independent Contractor Status Under the Fair Labor Standards Act: Delay of Effective Date, 86 Fed. Reg. 8327, (Feb. 5, 2021), available at <https://www.govinfo.gov/content/pkg/FR-2021-02-05/pdf/2021-02485.pdf>.

regard to a potential delay, immediately following the end of the comment period on March 12, 2021, the DOL instead issued notice of its proposal to withdraw the Final Rule. Once again, the DOL is refusing to consider “comments about issues of fact, law, and policy raised by [the Final] rule,” announcing that it will consider only comments about its proposal to withdraw the rule.⁸

The DOL’s delay and proposed withdrawal do not comport with the instructions and conditions outlined in the Executive Freeze Memo. The Executive Freeze Memo only authorized a delay until March 20, 2021, after which time, if necessary, an agency could propose an additional 60-day delay to “continue” review of fact, law and policy. The DOL did not merely delay the effective date of the Final Rule, but is withdrawing it, without permitting (or considering) the public comments on the facts, law and policy it was required to review.

More importantly, the proposed withdrawal does not comport with the notice and comment requirements of the APA. Even if the DOL’s actions had been consistent with the Executive Freeze Memo, its actions are still required to follow the APA.⁹ Under the APA, agencies are generally required to provide the public with adequate notice of rulemaking followed by a meaningful opportunity to comment on the rule’s content.¹⁰ Rulemaking is defined as the “process for formulating, amending, or repealing a rule.”¹¹ Thus, when an agency issues a final rule after engaging in notice and comment procedures, the APA “mandate[s] that agencies use the same procedures when they amend or repeal a rule as they used to issue the rule in the first instance.”¹²

The proposed withdrawal does not meet the procedural requirements of the APA. It is not enough to simply provide the notice of withdrawal. The public has not been provided a meaningful opportunity for comment because the DOL has restricted the substance of the comments to be submitted. Under the APA, the same notice and comment procedure must be followed as was used in the promulgation of the rule. A 30-day notice without an opportunity for interested parties’ comments on the substance of the rule does not meet the APA requirements.

II. The DOL’s stated justifications for the withdrawal are not based on law or adequate fact-finding and are substantively incorrect.

An agency may not “casually ignor[e]” its previous findings and “arbitrarily chang[e] course.”¹³ While the DOL has articulated some reasons for withdrawing the Rule, these statements are not valid justifications as they are not based on evidence and in fact contradict previous findings in the rulemaking process. When a “new policy rests upon factual findings that contradict those which underlay its prior policy” there must be heightened explanation and justification.¹⁴

⁸ NPRM Independent Contractor Status Under the Fair Labor Standards Act; Withdrawal, 86 FR 14027, (March 12, 2021), available at <https://www.federalregister.gov/documents/2021/03/12/2021-05256/independent-contractor-status-under-the-fair-labor-standards-act-withdrawal>.

⁹ An agency’s reliance on a presidential chief of staff “freeze” memo does not cure an agency’s failure to otherwise comply with the APA’s requirements. See *Nat’l Res. Def. Council v. Abraham*, 355 F.3d 179, 205-6 (2d Cir. 2004).

¹⁰ 5 U.S.C. § 553(b)-(c).

¹¹ 5 U.S.C. § 551(5).

¹² *Perez v. Mortg. Bankers Ass’n*, 575 U.S. 92, 101 (2015).

¹³ *State v. Bureau of Land Mgmt.*, 286 F. Supp. 3d 1054, 1068 (N.D. Cal. 2018).

¹⁴ *Id.* at 1064 (internal quotations and citation omitted).

The first stated reason for the withdrawal is a statement that the Rule's standard has never been used by any court or by the WHD, and is not supported by the act's text or case law. This statement is not true and is contrary to DOL's own assertions that the courts and the WHD have applied the economic realities test for decades. 86 FR 14028-9 (citing both *U.S. v. Silk*, 331 U.S. 704 (1947) and *Rutherford Food Corp. v. McComb*, 331 U.S. 772 (1947)). In the preamble to the Final Rule, the DOL provided examples of Federal courts of appeals adopting and applying the multi-factor 'economic reality' test based on *Silk* and *Rutherford*. See 86 FR 1170 (citing *Usery v. Pilgrim Equip. Co.*, 527 F.2d 1308, 1311 (5th Cir. 1976), *Real v. Driscoll Strawberry Assocs., Inc.*, 603 F.2d 748, 754 (9th Cir. 1979), *Donovan v. Brandel*, 736 F.2d 1114, 1117 (6th Cir. 1984), *Brock v. Superior Care, Inc.*, 840 F.2d 1054, 1058 (2nd Cir. 1988), *Saleem v. Corporate Transp. Group, Ltd.*, 854 F.3d 131 (2nd Cir. 2017)). Further, the Final Rule discussed the numerous occasions the WHD applied the same six-factor 'economic reality' test. See 86 FR 1170-71 (citing, among others, WHD Opinion Letter FLSA-795 (Sept. 30, 1964), 29 CFR 780.330(b), 29 CFR 788.16(a), 29 CFR 500.20(h)(4)). They further noted that the elements of the economic realities test have been using largely the same factors for the duration. 86 FR 14028-9.

As we know from the record substantiating the Final Rule, the problem has been that various courts and the WHD have differed in how they weigh certain factors in their analyses, and how they apply the economic realities test, resulting in unpredictable and uncertain outcomes. Hence the need for clarity through a uniform rule. The Final Rule employs the same factors used by courts and the WHD for decades, but gives direction as to how to apply the elements so that they are applied uniformly. Interestingly, in support of enacting the Final Rule, the DOL explained that "[a]ll of the courts of appeals have followed the economic realities test, and nearly all of them analyze the economic realities of an employment relationship using the factors identified in *Silk*" – the first two of which are the degree of control exercised and the worker's opportunity for profit or loss. 86 FR 14028-9. Clearly, the Supreme Court found these to be the two most probative factors in deciding *Silk*. In a later, and much-cited case, *Real v. Driscoll Strawberry Assocs., Inc.*, 603 F.2d at 754, the first two elements are also the degree of control and the alleged employee's opportunity for profit or loss.

Second, the DOL states that it wants to withdraw the Final Rule because it "questions whether the Rule is fully aligned with the FLSA's text and purpose or case law describing and applying the economic realities test." 86 FR 14031-2. It argues that the vast breadth of the FLSA's definition of "employee" "stretches the meaning of 'employee' [under the FLSA]" and imposes an "inquiry of economic dependence [that] establishes a broader scope of employment than that which exists under the common law of agency." In this way, the DOL appears to be opining that economic dependence is a presumption, not a question, and therefore perhaps no one escapes the reach of the FLSA. If the elements of the economic realities test set forth in the Final Rule do not align with the FLSA's text, then the DOL seems to be questioning whether its application is even appropriate, setting the stage for what would be an even greater change to the law and not a mere return to the status quo. If that is the case, the withdrawal would effectively amount to a change in law, without notice or comment permitted. A full and robust notice and comment period is necessary.

III. Economic analysis contains erroneous statements and assumptions and fails to consider important aspects of the Final Rule.

The economic justifications offered for the withdrawal run counter to the evidence, contain erroneous statements and assumptions, and fail to consider important aspects of the problem being addressed.¹⁵

- Rule familiarization costs – The estimates provided in this regard are grossly understated because they fail to consider the costs that will be imposed on stakeholders by repeating their activities of the very recent notice/comment period. Neither the facts nor the law has changed in the very short period since the Final Rule was announced and the DOL has not asserted that there have been any such developments. Rather it appears that stakeholders will be forced to duplicate their costs simply because the DOL wishes to start the process anew.
- Other costs – The DOL recognizes that there are quantifiable “cost savings associated with increased clarity, as well as cost savings associated with reduced litigation.” Yet the DOL goes on to say that it “does not anticipate that this withdrawal would increase costs in these areas, or result in greater costs as compared to the Rule.” As explained more thoroughly above, the Final Rule codifies existing case law and cannot be accurately described as a new standard that courts will not know how to interpret. The loss of the cost savings associated with legal certainty must be included as a cost of withdrawal of the Final Rule.
- Transfers, costs, benefits – The DOL’s discussion about costs, transfers, and benefits to workers as a result of the Final Rule utterly ignores the possibility that true independent contractors exist. For example, independent financial advisors are proud to be their “own boss” and build a team to collectively provide the best investment education and advice to their clients. Many advisors report that they believe being an independent contractor allows them the type of control over their business needed to shape an investor-first oriented culture that ultimately benefits their clients, who include middle-class Americans. DOL’s economic analysis is improperly framed based on the incorrect assumption that independent contractors are simply workers who are misclassified. 86 FR 14034-5. The proposal discusses the impact on those workers while ignoring the large component of the workforce who are properly classified as independent contractors.

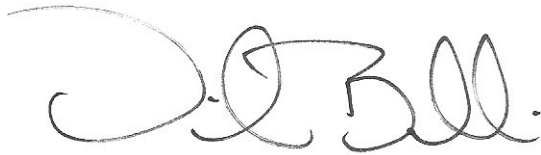
Moreover, to the extent there are costs associated with a transfer of individuals from employment to independent contractor status, the withdrawal and any reproposal would only increase those costs, as under this logic individuals would presumably be transferred back and forth, thereby doubling the costs of transfers. Moreover, while the DOL notes one tax effect it anticipates – more independent contractors means more self-employment tax – this simply reflects cost shifting of employment tax liability between an employer (for its employees) and the independent contractor (for itself.) It does not consider tax costs to the true independent contractor who is running a business and expects to take business expense deductions that would not be available to employees.

¹⁵ See *Motor Vehicle Mfrs. Ass’n of the U.S., Inc. v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 41-43 (1983).

The Supreme Court has held that an agency may be required to provide a “more detailed justification” for a change in policy when the “new policy rests upon factual findings that contradict those which underlay its prior policy.”¹⁶ Here, there are no detailed justifications, only assertions that contradict the record and fail to consider the full impact of the withdrawal on all workers, not just a subset of potentially misclassified workers. For these reasons, the DOL has not provided justification for the withdrawal.

We are committed to constructive engagement in the regulatory process and welcome the opportunity to work with the DOL on this and other important regulatory efforts. Thank you for considering FSI’s comments. Should you have any questions, please contact me at (202) 803-6061.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'D. T. Bellaire'.

David T. Bellaire, Esq.
Executive Vice President & General Counsel

¹⁶ *FCC v. Fox Television Stations*, 556 U.S. 502, 516 (2009).

THE ECONOMIC IMPACT OF FSI MEMBERS



**FINANCIAL
SERVICES
INSTITUTE**

VOICE OF INDEPENDENT
FINANCIAL SERVICES
FIRMS AND INDEPENDENT
FINANCIAL ADVISORS



**OXFORD
ECONOMICS**



OXFORD ECONOMICS

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DECEMBER 2020

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The modeling and results presented here are based on information provided by third parties, upon which Oxford Economics has relied in producing its report and forecasts in good faith. Any subsequent revision or update of those data will affect the assessments and projections shown.

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EXECUTIVE SUMMARY

The Financial Services Institute (FSI) represents the independent financial services industry and independent financial advisors. Independent financial advisors are small business owners, often self-employed contractors, who predominately live and work in small to mid-sized communities throughout the United States. In this report we examine the large impact that FSI member firms have on national and state economies throughout the United States and explore demographic and community characteristics of the independent financial services workforce.

Our research found that FSI members support 408,000 jobs nationwide. Of these nearly 187,000 are directly employed or affiliated with FSI members. When multiplier effects are considered we calculate that an additional 221,000 jobs are generated as FSI business activity spills over to other industries and sectors. The result is that each FSI member supports 1.2 additional jobs throughout the broader economy. While most positions supported by FSI are in the financial sector, 45% are not. For example, when full spillover effects are considered, economic activity generated by FSI members contributes to 36,000 jobs in health, education and government—sectors not typically associated with the financial industry. Detail on how FSI members' economic impact benefits a wide range of other industries is presented in the chapters that follow.

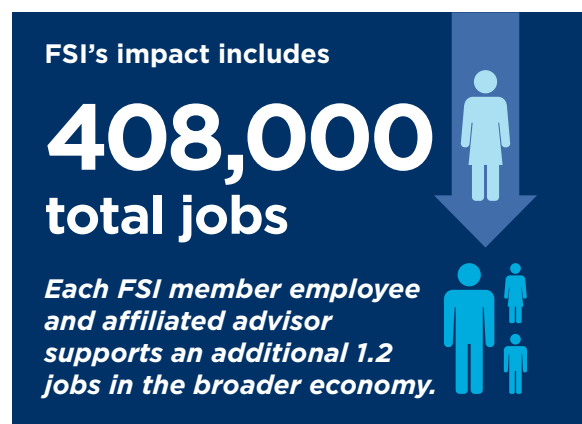


Figure 1: 408,000 jobs broadly distributed



Source: Oxford Economics, IMPLAN

Economic activity supported by FSI members adds \$35.7 billion to US GDP. This in turn generates substantial tax revenue for government at all levels: national, state, and local.

Figure 2: FSI members' tax contribution



Source: Oxford Economics, IMPLAN

The economic impact of FSI members is widely distributed among all 50 states (plus Washington D.C.) mainly because independent financial advisors have a different demographic profile than others working in the financial services industry. Independent financial advisors are more likely to be veterans, live and work in the same community, and be more highly educated than their counterpart financial advisors working in other segments of the industry. As a result, the economic impact of independent financial advisors is proportionately bigger in many less populated states such as Montana, Maine, and Iowa.

FSI members are working hard to increase diversity and inclusion in their workplaces, which are disproportionately White and male. Four-fifths (80%) of self-employed financial advisors are male. FSI member companies are working to increase the pool of potential Black and women applicants even before they enter the workforce and are proactively working to address other societal challenges as well including those confronting military families.



1. INTRODUCTION

The Financial Services Institute (FSI) is the only organization advocating solely on behalf of independent financial advisors and the independent financial services industry. FSI represents 85 independent financial services firm members and their approximately 140,000 affiliated financial advisors—which comprise more than half of all producing registered representatives in the United States. Financial advisors provide investment advisory services and are engaged in the sale of a variety of financial products including mutual funds, ETFs, and variable life insurance and annuity products. Often advisors operate as storefront businesses on the main streets of small to mid-sized cities throughout the United States.

FSI commissioned this report and asked Oxford Economics to calculate the economic impact that its members generate at the national and state levels. Our data sources combined information obtained directly from FSI members regarding operational expenditures and revenue at their firms, data published by US government

agencies, and data sources attributable to the Financial Industry Regulatory Authority (FINRA), which regulates professional financial advisors. More detail on our methodology is provided in Appendix C. Findings presented are based on calendar year 2019 data, unless otherwise noted.

Oxford Economics quantified the economic contribution of the independent financial services community that is represented by FSI using an economic impact analysis calculated at the national and state levels. This technique is explained and illustrated in the text box below and describes total economic impact by its three components: direct, indirect, and induced. This allows us to better understand how economic benefit expands from FSI members to include the businesses that support the operations of the independent financial services industry, as well as the spillover into the broader economy. The outputs that we calculate are expressed in terms of jobs, GDP, income, and taxes supported by the economic activity generated by FSI members.

AN INTRODUCTION TO ECONOMIC IMPACT ANALYSIS

Economic impact results were calculated using an input-output model which is standard in economics when measuring interdependencies between different sectors within an economy. In describing our results, we refer to the following three “channels” of economic activity:

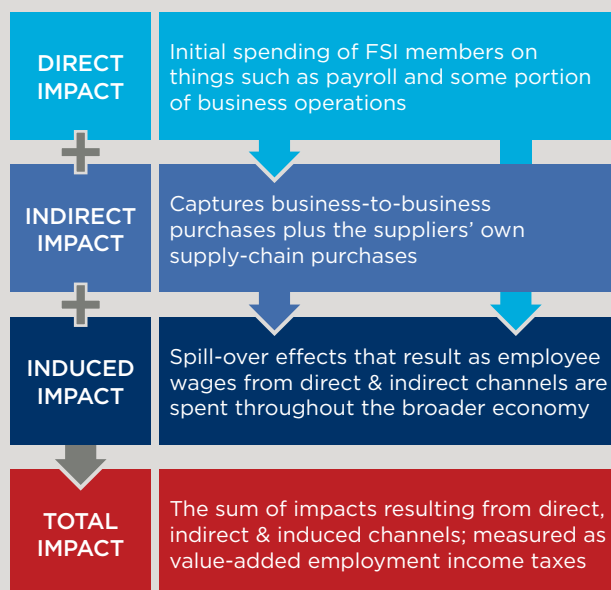
Direct: These are the jobs and activity directly attributable to FSI members and affiliated independent financial advisors.

Indirect: Measures the employment and value-added contribution attributable to the business to business purchases made by FSI members to support their

business operations. This is often described as the “supply-chain” that supports FSI members’ business operations.

Induced: The spill-over effects that result as FSI businesses and employees plus those of their suppliers spend their wages and earnings throughout the broader economy.

The following schematic depicts the relationship among these three channels:

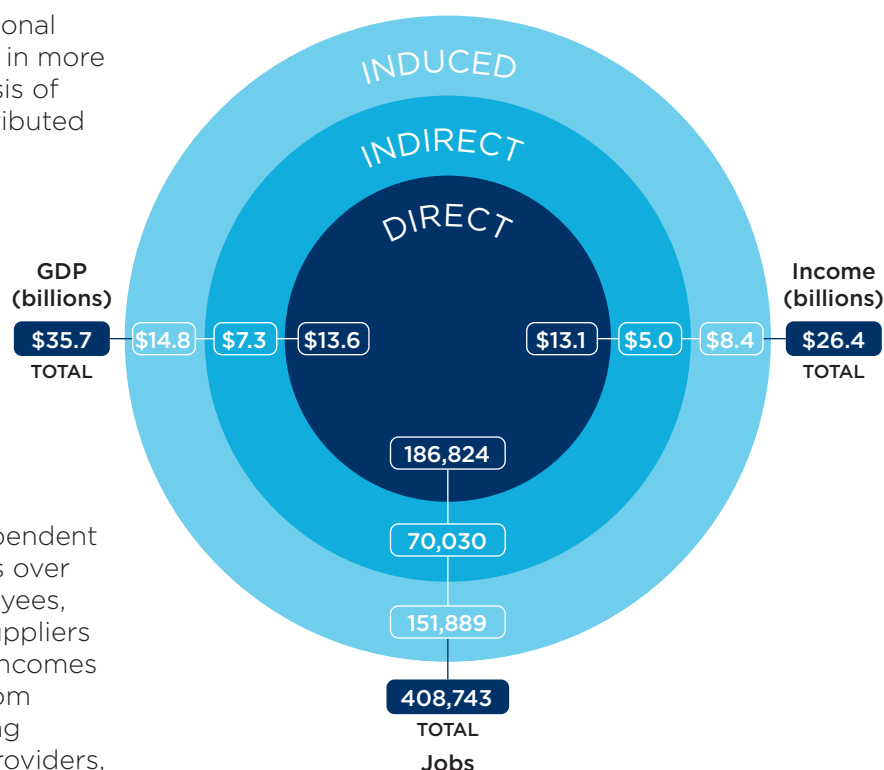


2. NATIONAL ECONOMIC IMPACT

In this chapter we explore the national economic impact of FSI members in more detail including an in-depth analysis of how that economic impact is distributed throughout the broader economy.

Figure 3:
How FSI members' economic impact expands

Source: Oxford Economics, IMPLAN



The economic impact of the independent financial services community spills over to the broader economy as employees, affiliated financial advisors, and suppliers to FSI member firms spend their incomes purchasing goods and services from a wide range of industries including restaurants, utilities, health care providers, etc. these spillover purchases support jobs in these other sectors. As a result, FSI members directly account for 45.7% (186,824) of the total jobs included in their total economic impact with the remaining 54.3% (221,919) jobs distributed among a broad spectrum of industries.

Figure 4: Spillover jobs contribution by sector (excludes direct FSI)



Source: Oxford Economics, IMPLAN

Economic activity generated by FSI members adds \$35.7 billion to national GDP and upon examination one sees that this contribution spills over even more broadly than did the jobs contribution throughout the economy. In Figure 3 we saw that FSI members directly added \$13.6 billion to national GDP (or 38% of the total GDP contribution). Figure 5 (below) illustrates how the remaining \$22.1 billion in GDP contribution gets distributed among key sectors in the economy.

Dispersion among industries is one important measure of how the economic impact of FSI members flows to all sectors of the economy. In the next chapter, we examine how the economic contribution gets geographically dispersed, supporting jobs, generating economic activity and increasing tax revenue in all 50 states (plus Washington, DC).

Figure 5: Spillover GDP contribution by sector (excludes direct FSI), amounts in millions



Source: Oxford Economics, IMPLAN

3. ECONOMIC IMPACT IN EVERY STATE

The economic impact of the independent financial service industry reaches every state. Some FSI member firms have significant independent broker-dealer and corporate operations in states hosting large financial clusters and most have at their core a network of affiliated financial advisors operating as small independent businesses located in small to mid-sized communities throughout the country. As a result, the biggest jobs impacts (measured in absolute terms) are felt in some of the nation's most populated states. However, the biggest proportional jobs impact of FSI members are found in less populated states. Proportional impacts are calculated by examining the jobs contribution of FSI members in each state to the total number of jobs found in the other financial investment activities industry in each state.¹ This calculation helps us approximate the proportion of FSI member supported jobs to (comparable) total industry jobs found in each state.

Figure 6: Two ways to measure FSI member jobs contribution

Absolute FSI MEMBER JOBS		Proportional FSI JOBS AS % OF INDUSTRY TOTAL	
California	19,300	Montana	80%
Texas	18,720	Maine	73%
Florida	11,621	Iowa	72%
New York	10,774	Wyoming	63%
Massachusetts	9,074	Arkansas	62%
Pennsylvania	8,980	Hawaii	61%
Ohio	7,592	North Dakota	59%
Iowa	6,309	Idaho	58%
Illinois	5,194	Alabama	56%
Colorado	5,100	Mississippi	56%

Source Oxford Economics, IMPLAN

¹ FSI share of industry jobs reflects the percentage of FSI direct employment relative to the sum of FSI employment and total *wage and salary* (i.e. not self-employed) employment in the Other Financial Investment Activities industry (NAICS code 5239), which includes Portfolio Management and Investment Advice. Industry employment is sourced from IMPLAN, which is based primarily on the Quarterly Census of Employment and Wages (QCEW). Note that, since FSI employment includes some wage and salary workers, this estimate will somewhat understate FSI's share of total industry employment.

A by-state summary of the jobs impact in each state is illustrated in the map below. Detail on the total economic impact for each state is included in Appendix A to this report.

**Figure 7:
The jobs impact of FSI
members by state**

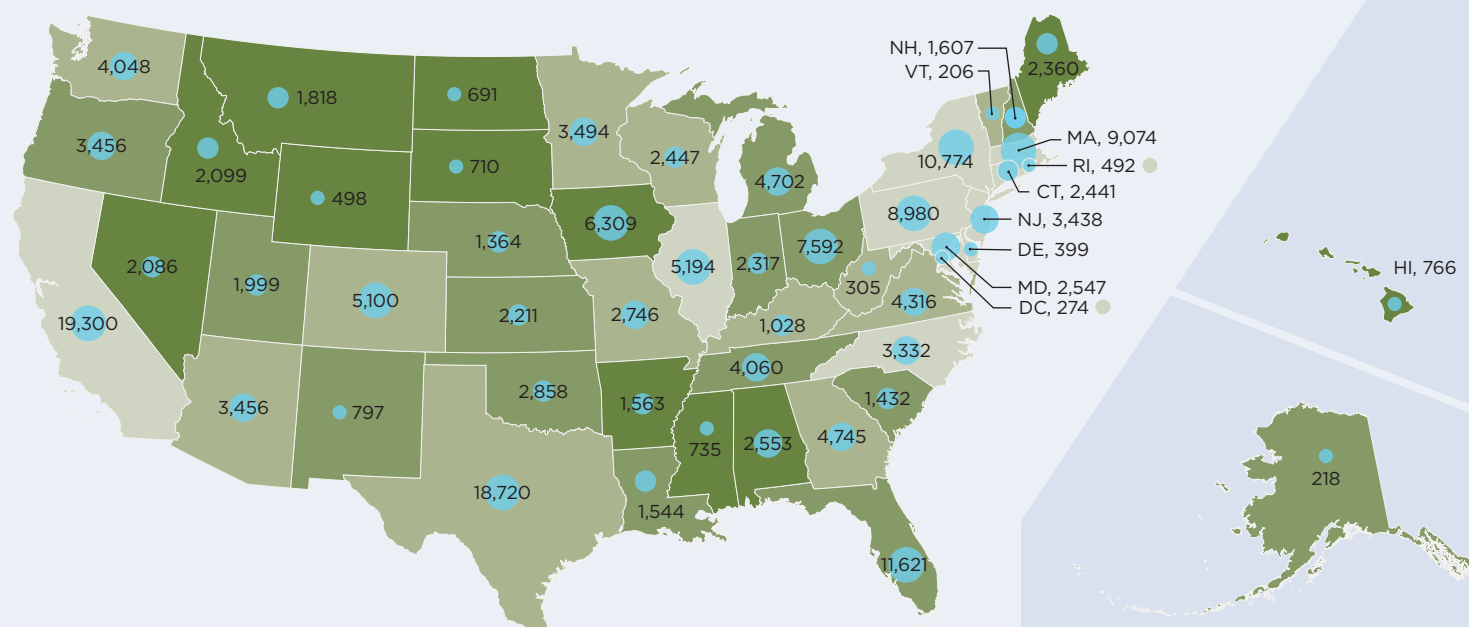
Source: Oxford Economics

FSI employees

- 0 to 999
- 1,000 to 2,499
- 2,500 to 4,999
- 5,000 to 20,000

**FSI jobs as % of
industry total**

- Under 25%
- 25% to 35%
- 36% to 50%
- Over 50%



4. WHO ARE INDEPENDENT FINANCIAL ADVISORS?

Self-employed financial advisors operating small businesses on Main Streets throughout the United States are the backbone of the independent financial services industry. On average, independent advisors live and work in the same community with an average commute time of less than 30 minutes—helping to disburse FSI's economic impact at the community-level. In this chapter, we explore the demographic characteristics of self-employed financial advisors and highlight examples of

recent initiatives by FSI members to increase diversity in their workplaces and involvement in their communities, and to better serve our veterans and active service members. “We see this work not as a ‘a nice to have,’ but as a business imperative” says Scarlett Abraham Clarke, Chief Diversity Officer, Commonwealth Financial Network.

The training required to become a financial advisor is substantial, and independent financial advisors have the added complexity of operating highly regulated small businesses. To prepare for these challenges, the majority of independent financial advisors have earned a bachelor's or graduate degree and continue with their personal training and professional development well beyond university or college. For example, most FSI members have obtained one or more the industry licenses required by the Financial Industry Regulatory Authority before financial advisors may offer advice on many financial products, services, and regulations. According to the FSI Financial Advisor Profile, its member and affiliated financial advisors hold the following professional licenses: Series 7 (79%), Series 6 (43%), Series 65 (33%), and Series 66 (18%).

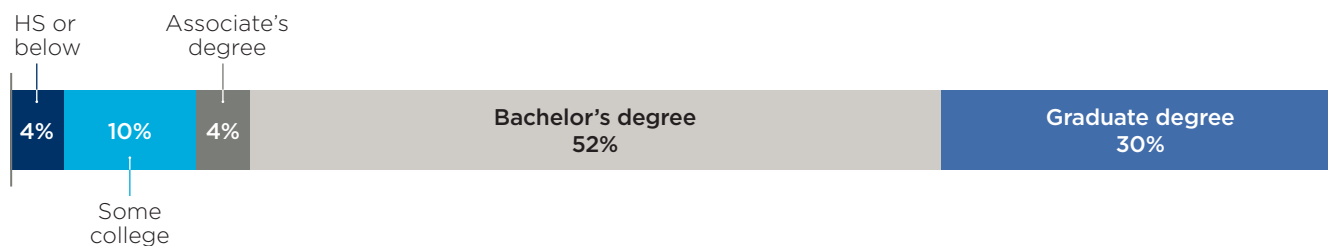
Living and working in the community

On average, independent financial advisors have commutes of

**less than
30 minutes**



Figure 8: Degrees earned by self-employed financial advisors



Source: ACS, Oxford Economics

Figure 9: Self-employed financial advisors are older and experienced.

Source: Oxford Economics

In large part due to the significant training and experience required before one can establish one's own financial advisory business, independent financial advisors tend to be older. In fact, nearly two thirds are over the age of 50.

One challenge that FSI members are working hard to address is to increase diversity and inclusion in their workplaces which are disproportionately White and male. Ms. Clarke of Commonwealth notes that improving diversity and inclusion in the financial industry will take a commitment to action. Commonwealth, for example, has new initiatives underway to increase the diversity of participants in its internship program and to strengthen each participant's long-term engagement with the company.

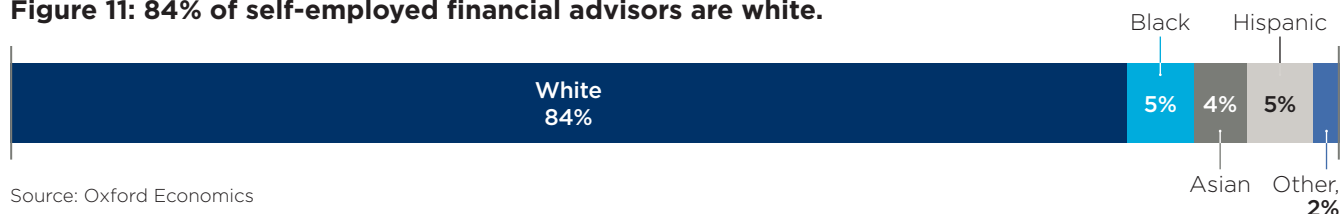
Raymond James is another FSI member working to address racial imbalance in its workforce. In 2015 Raymond James established the Black Financial Advisors Network (BFAN) to improve recruitment, training and retention of Black financial advisors. The BFAN leverages resources at Raymond James to develop and implement customized educational programs, professional development opportunities, and mentorships. And as the text box on this page describes, Raymond James is working to increase the pool of potential Black applicants even before they enter the workforce.

Figure 10: 80% of self-employed financial advisors are men.

Source: Oxford Economics

EXPANDING THE PIPELINE OF DIVERSE CANDIDATES

Increasing gender diversity in the financial guidance profession is not a new priority at Cetera's family of broker/dealers and this year FSI member Cetera renewed its commitment to expand its pipeline of diverse candidates. Among various initiatives recently launched to meet this objective, Caring Cetera (the firm's advisor-led charitable foundation) launched a new scholarship program targeted toward college students from diverse populations (including women) who enroll in financial planning degree programs. Those scholarship recipients will have access to expanded new-entrant and mentoring opportunities designed to support their career development. "Our goal is to become known as a community where everyone feels like they belong," explained Jeannie Finkel, Cetera's Chief Human Resources Officer.

Figure 11: 84% of self-employed financial advisors are white.

Source: Oxford Economics

STRENGTHENING RELATIONSHIPS IN THE BLACK COMMUNITY

In response to social racial unrest, Raymond James began in 2020 to coordinate the efforts of its Corporate Responsibility (philanthropic) and Diversity and Inclusion teams. The objective is to focus more resources on the needs of Black residents in the communities where Raymond James' employees live and work. The most significant area of the

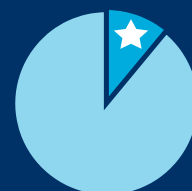
new inter-team alignment is a renewed focus on improving educational opportunities for young Black students in Florida and around the country. The effort combines financial support to institutions with a track record of proven success in providing opportunities to under-represented communities, specifically within the Black

communities. In addition to the financial support, Raymond James' encourages associates to volunteer and participate in a variety of financial education initiatives designed to serve the Black communities.

Source: Pedro Suriel, Vice President, Diversity and Inclusion at Raymond James

FSI members are proactively working to promote financial literacy, particularly among military families. For example, in 2018, the Department of Defense introduced the Blended Retirement System (BRS) which significantly altered the military pension system. Specifically, the BRS reduced guaranteed pension benefits (previously the bedrock of military pensions) with new incentives for service members to make up the difference with self-directed investments. The result is that young service members are now responsible for self-funding large portions of their individual retirement savings. Independent financial advisors, 11% of whom are veterans, are particularly attuned to the challenge this presents.

11%
of self-employed
financial advisors
are veterans.



In response, FSI member First Command (through its foundation) has developed and is implementing "Take Command," an educational curriculum designed to provide service members with the skills and competencies needed to meet this new challenge. The program is offered on-line and in modules structured to accommodate the demanding schedules of service members. Financial literacy is particularly important in the military because financial and job security are linked. Financial difficulties can result in the loss of the security clearance required for many assignments. First Command programs are designed to develop in service members the skills necessary to build and maintain a solid financial footing. In addition, Mr. Scott Spiker, Chairman of First Command notes that 25% of First Command's recent hires are military spouses and of these 95% of are women.

25%
of First Command's
recent hires are
military spouses.

**Of these, 95%
are women.**



5. CONCLUSION

FSI is the representative voice of the independent financial services industry which has at its core small independently owned financial advisory businesses operating on Main Streets throughout the United States. As a result of this widespread geographic dispersion, FSI members make a significant economic contribution in all 50 states and their economic impact is disproportionately largest in many of the states that are least populated. At the national level, FSI members support 408,000 jobs, \$26.4 billion in income and contribute \$35.7 billion to our national GDP.

FSI members directly employ 186,000 people including their affiliated financial advisors. When spillover effects are considered an additional 222,000 jobs are supported by the economic activity generated by FSI members. Most of these additional jobs are in industries not commonly associated with finance such as restaurants, retail and health care. Because independent financial advisors live and work in communities throughout the country, these jobs gains are broadly dispersed. More detail on the industry breakout and geographic dispersion of FSI members' economic impact at both the national and state-levels is included in the appendices that follow.

Independent financial advisors serve their communities in other important ways, too. For example, 11% are military veterans. In addition to being highly educated, financial advisors currently tend to be disproportionately White and male. FSI members have responded to this situation by working hard to increase diversity among their employees and affiliated advisors, and as illustrated in this report, these efforts begin early. In some instances, newly introduced diversity and inclusion programs include support for students from underrepresented communities while they are still in college (or even earlier). In addition, expanded diversity networks at many FSI member companies provide ongoing support for women, Black, and LGBTQ financial advisors to help ensure that, once recruited, these advisors have successful and long-lasting careers.

In addition to their substantial economic impact as measured by the jobs, GDP and income described in this report, FSI members and their affiliated independent financial advisors are proactively working to make their communities better and their workforces more diverse.

The bottom line

FSI members' economic impact:

JOBS

408,000 

INCOME

\$26.4 billion 

US GDP

\$35.7 billion 

APPENDIX A: STATE-LEVEL IMPACTS

* = Less than \$1 million

ALABAMA	Direct	Indirect	Induced	Total
Employment	2,553	846	1,812	5,211
GDP (\$mil)	\$189	\$69	\$149	\$407
Income (\$mil)	\$182	\$45	\$81	\$308
State & local taxes (\$mil)				\$23
ALASKA	Direct	Indirect	Induced	Total
Employment	218	88	159	465
GDP (\$mil)	\$16	\$11	\$21	\$48
Income (\$mil)	\$15	\$5	\$9	\$30
State & local taxes (\$mil)				\$2
ARIZONA	Direct	Indirect	Induced	Total
Employment	3,456	1,479	2,847	7,782
GDP (\$mil)	\$217	\$127	\$255	\$598
Income (\$mil)	\$207	\$83	\$143	\$432
State & local taxes (\$mil)				\$36
ARKANSAS	Direct	Indirect	Induced	Total
Employment	1,563	506	887	2,956
GDP (\$mil)	\$73	\$36	\$72	\$181
Income (\$mil)	\$69	\$26	\$40	\$135
State & local taxes (\$mil)				\$9
CALIFORNIA	Direct	Indirect	Induced	Total
Employment	19,300	7,538	13,939	40,777
GDP (\$mil)	\$1,120	\$937	\$1,632	\$3,688
Income (\$mil)	\$1,068	\$619	\$904	\$2,591
State & local taxes (\$mil)				\$272
COLORADO	Direct	Indirect	Induced	Total
Employment	5,100	1,898	3,466	10,464
GDP (\$mil)	\$317	\$172	\$320	\$809
Income (\$mil)	\$303	\$122	\$181	\$605
State & local taxes (\$mil)				\$48
CONNECTICUT	Direct	Indirect	Induced	Total
Employment	2,441	817	2,265	5,523
GDP (\$mil)	\$269	\$98	\$251	\$619
Income (\$mil)	\$263	\$72	\$147	\$482
State & local taxes (\$mil)				\$44

* = Less than \$1 million

DELAWARE		Direct	Indirect	Induced	Total
	Employment	399	188	443	1,030
	GDP (\$mil)	\$35	\$36	\$52	\$124
	Income (\$mil)	\$34	\$15	\$26	\$75
	State & local taxes (\$mil)				\$8
DISTRICT OF COLUMBIA		Direct	Indirect	Induced	Total
	Employment	274	367	406	1,047
	GDP (\$mil)	\$28	\$99	\$58	\$185
	Income (\$mil)	\$27	\$57	\$40	\$125
	State & local taxes (\$mil)				\$13
FLORIDA		Direct	Indirect	Induced	Total
	Employment	11,621	4,808	9,926	26,355
	GDP (\$mil)	\$842	\$390	\$837	\$2,069
	Income (\$mil)	\$810	\$264	\$460	\$1,535
	State & local taxes (\$mil)				\$113
GEORGIA		Direct	Indirect	Induced	Total
	Employment	4,745	2,088	4,495	11,329
	GDP (\$mil)	\$350	\$219	\$415	\$985
	Income (\$mil)	\$337	\$134	\$223	\$694
	State & local taxes (\$mil)				\$57
HAWAII		Direct	Indirect	Induced	Total
	Employment	766	354	514	1,634
	GDP (\$mil)	\$52	\$35	\$50	\$137
	Income (\$mil)	\$50	\$18	\$26	\$94
	State & local taxes (\$mil)				\$12
IDAHO		Direct	Indirect	Induced	Total
	Employment	2,099	634	1,019	3,752
	GDP (\$mil)	\$104	\$38	\$77	\$219
	Income (\$mil)	\$98	\$28	\$44	\$170
	State & local taxes (\$mil)				\$16
ILLINOIS		Direct	Indirect	Induced	Total
	Employment	5,194	2,279	5,564	13,037
	GDP (\$mil)	\$407	\$272	\$575	\$1,254
	Income (\$mil)	\$393	\$185	\$326	\$904
	State & local taxes (\$mil)				\$88
INDIANA		Direct	Indirect	Induced	Total
	Employment	2,317	758	2,314	5,388
	GDP (\$mil)	\$186	\$62	\$207	\$456
	Income (\$mil)	\$180	\$45	\$119	\$343
	State & local taxes (\$mil)				\$22

* = Less than \$1 million

IOWA		Direct	Indirect	Induced	Total
	Employment	6,309	1,690	2,761	10,760
	GDP (\$mil)	\$295	\$110	\$223	\$629
	Income (\$mil)	\$278	\$90	\$122	\$490
	State & local taxes (\$mil)				\$9
KANSAS		Direct	Indirect	Induced	Total
	Employment	2,211	748	1,654	4,613
	GDP (\$mil)	\$175	\$52	\$141	\$367
	Income (\$mil)	\$169	\$42	\$78	\$290
	State & local taxes (\$mil)				\$13
KENTUCKY		Direct	Indirect	Induced	Total
	Employment	1,028	417	1,019	2,464
	GDP (\$mil)	\$64	\$33	\$86	\$183
	Income (\$mil)	\$61	\$23	\$49	\$133
	State & local taxes (\$mil)				\$12
LOUISIANA		Direct	Indirect	Induced	Total
	Employment	1,544	561	1,380	3,485
	GDP (\$mil)	\$128	\$54	\$136	\$317
	Income (\$mil)	\$123	\$30	\$64	\$217
	State & local taxes (\$mil)				\$18
MAINE		Direct	Indirect	Induced	Total
	Employment	2,360	687	1,576	4,623
	GDP (\$mil)	\$157	\$52	\$124	\$333
	Income (\$mil)	\$150	\$36	\$70	\$257
	State & local taxes (\$mil)				\$24
MARYLAND		Direct	Indirect	Induced	Total
	Employment	2,547	1,059	2,341	5,948
	GDP (\$mil)	\$215	\$109	\$239	\$563
	Income (\$mil)	\$209	\$78	\$135	\$421
	State & local taxes (\$mil)				\$43
MASSACHUSETTS		Direct	Indirect	Induced	Total
	Employment	9,074	2,688	8,521	20,283
	GDP (\$mil)	\$999	\$348	\$895	\$2,241
	Income (\$mil)	\$974	\$253	\$550	\$1,777
	State & local taxes (\$mil)				\$133
MICHIGAN		Direct	Indirect	Induced	Total
	Employment	4,702	1,544	4,230	10,476
	GDP (\$mil)	\$382	\$130	\$362	\$875
	Income (\$mil)	\$370	\$95	\$212	\$677
	State & local taxes (\$mil)				\$53

* = Less than \$1 million

MINNESOTA		Direct	Indirect	Induced	Total
	Employment	3,494	1,256	3,503	8,253
	GDP (\$mil)	\$293	\$124	\$321	\$738
	Income (\$mil)	\$283	\$96	\$194	\$572
	State & local taxes (\$mil)				\$47
MISSISSIPPI		Direct	Indirect	Induced	Total
	Employment	735	271	627	1,633
	GDP (\$mil)	\$53	\$18	\$49	\$119
	Income (\$mil)	\$51	\$11	\$25	\$87
	State & local taxes (\$mil)				\$7
MISSOURI		Direct	Indirect	Induced	Total
	Employment	2,746	1,054	2,172	5,972
	GDP (\$mil)	\$144	\$98	\$183	\$425
	Income (\$mil)	\$137	\$70	\$107	\$314
	State & local taxes (\$mil)				\$21
MONTANA		Direct	Indirect	Induced	Total
	Employment	1,818	2,220	1,381	5,419
	GDP (\$mil)	\$91	\$135	\$97	\$322
	Income (\$mil)	\$86	\$93	\$57	\$236
	State & local taxes (\$mil)				\$14
NEBRASKA		Direct	Indirect	Induced	Total
	Employment	1,364	455	1,107	2,926
	GDP (\$mil)	\$104	\$33	\$100	\$237
	Income (\$mil)	\$100	\$27	\$56	\$182
	State & local taxes (\$mil)				\$6
NEVADA		Direct	Indirect	Induced	Total
	Employment	2,086	806	1,072	3,964
	GDP (\$mil)	\$93	\$70	\$100	\$262
	Income (\$mil)	\$87	\$41	\$52	\$180
	State & local taxes (\$mil)				\$17
NEW HAMPSHIRE		Direct	Indirect	Induced	Total
	Employment	1,607	476	1,118	3,201
	GDP (\$mil)	\$119	\$48	\$105	\$272
	Income (\$mil)	\$115	\$34	\$62	\$210
	State & local taxes (\$mil)				\$13
NEW JERSEY		Direct	Indirect	Induced	Total
	Employment	3,438	1,562	3,946	8,946
	GDP (\$mil)	\$331	\$175	\$430	\$936
	Income (\$mil)	\$321	\$131	\$256	\$709
	State & local taxes (\$mil)				\$69

* = Less than \$1 million

NEW MEXICO		Direct	Indirect	Induced	Total
	Employment	797	225	574	1,596
	GDP (\$mil)	\$62	\$18	\$47	\$127
	Income (\$mil)	\$60	\$10	\$24	\$94
	State & local taxes (\$mil)				\$7
NEW YORK		Direct	Indirect	Induced	Total
	Employment	10,774	4,442	10,127	25,343
	GDP (\$mil)	\$874	\$872	\$1,273	\$3,018
	Income (\$mil)	\$845	\$573	\$742	\$2,159
	State & local taxes (\$mil)				\$265
NORTH CAROLINA		Direct	Indirect	Induced	Total
	Employment	3,332	1,541	3,792	8,665
	GDP (\$mil)	\$352	\$158	\$336	\$846
	Income (\$mil)	\$343	\$95	\$185	\$623
	State & local taxes (\$mil)				\$50
NORTH DAKOTA		Direct	Indirect	Induced	Total
	Employment	691	259	451	1,401
	GDP (\$mil)	\$47	-\$6	\$38	\$79
	Income (\$mil)	\$45	\$14	\$21	\$81
	State & local taxes (\$mil)				*
OHIO		Direct	Indirect	Induced	Total
	Employment	7,592	2,262	7,034	16,888
	GDP (\$mil)	\$656	\$224	\$631	\$1,510
	Income (\$mil)	\$635	\$140	\$349	\$1,124
	State & local taxes (\$mil)				\$91
OKLAHOMA		Direct	Indirect	Induced	Total
	Employment	2,858	886	1,351	5,095
	GDP (\$mil)	\$125	\$65	\$113	\$303
	Income (\$mil)	\$117	\$44	\$63	\$224
	State & local taxes (\$mil)				\$15
OREGON		Direct	Indirect	Induced	Total
	Employment	3,456	1,123	2,204	6,783
	GDP (\$mil)	\$202	\$101	\$198	\$502
	Income (\$mil)	\$193	\$69	\$115	\$377
	State & local taxes (\$mil)				\$34
PENNSYLVANIA		Direct	Indirect	Induced	Total
	Employment	8,980	2,758	8,118	19,856
	GDP (\$mil)	\$758	\$297	\$761	\$1,816
	Income (\$mil)	\$734	\$214	\$462	\$1,410
	State & local taxes (\$mil)				\$113

* = Less than \$1 million

RHODE ISLAND		Direct	Indirect	Induced	Total
	Employment	492	201	485	1,178
	GDP (\$mil)	\$43	\$20	\$44	\$107
	Income (\$mil)	\$42	\$13	\$25	\$80
	State & local taxes (\$mil)				\$8
SOUTH CAROLINA		Direct	Indirect	Induced	Total
	Employment	1,432	625	1,360	3,417
	GDP (\$mil)	\$102	\$47	\$110	\$258
	Income (\$mil)	\$98	\$32	\$61	\$190
	State & local taxes (\$mil)				\$17
SOUTH DAKOTA		Direct	Indirect	Induced	Total
	Employment	710	232	551	1,493
	GDP (\$mil)	\$54	\$11	\$46	\$111
	Income (\$mil)	\$52	\$12	\$26	\$90
	State & local taxes (\$mil)				*
TENNESSEE		Direct	Indirect	Induced	Total
	Employment	4,060	1,461	3,130	8,651
	GDP (\$mil)	\$279	\$131	\$287	\$697
	Income (\$mil)	\$269	\$93	\$174	\$535
	State & local taxes (\$mil)				\$34
TEXAS		Direct	Indirect	Induced	Total
	Employment	18,720	6,566	12,443	37,729
	GDP (\$mil)	\$1,038	\$641	\$1,186	\$2,865
	Income (\$mil)	\$987	\$435	\$659	\$2,081
	State & local taxes (\$mil)				\$138
UTAH		Direct	Indirect	Induced	Total
	Employment	1,999	763	1,678	4,440
	GDP (\$mil)	\$158	\$66	\$145	\$369
	Income (\$mil)	\$152	\$39	\$77	\$268
	State & local taxes (\$mil)				\$23
VERMONT		Direct	Indirect	Induced	Total
	Employment	206	72	191	469
	GDP (\$mil)	\$16	\$6	\$16	\$37
	Income (\$mil)	\$15	\$4	\$9	\$28
	State & local taxes (\$mil)				\$3
VIRGINIA		Direct	Indirect	Induced	Total
	Employment	4,316	2,095	4,324	10,735
	GDP (\$mil)	\$417	\$230	\$407	\$1,055
	Income (\$mil)	\$406	\$155	\$226	\$786
	State & local taxes (\$mil)				\$65

* = Less than \$1 million

WASHINGTON		Direct	Indirect	Induced	Total
	Employment	4,048	1,338	2,495	7,881
	GDP (\$mil)	\$271	\$164	\$289	\$723
	Income (\$mil)	\$260	\$101	\$154	\$514
	State & local taxes (\$mil)				\$42
WEST VIRGINIA		Direct	Indirect	Induced	Total
	Employment	305	108	343	756
	GDP (\$mil)	\$23	\$10	\$31	\$64
	Income (\$mil)	\$22	\$6	\$16	\$45
	State & local taxes (\$mil)				\$5
WISCONSIN		Direct	Indirect	Induced	Total
	Employment	2,447	803	2,563	5,813
	GDP (\$mil)	\$215	\$70	\$224	\$510
	Income (\$mil)	\$208	\$49	\$128	\$385
	State & local taxes (\$mil)				\$30
WYOMING		Direct	Indirect	Induced	Total
	Employment	498	133	207	838
	GDP (\$mil)	\$29	\$10	\$20	\$59
	Income (\$mil)	\$27	\$6	\$9	\$42
	State & local taxes (\$mil)				\$3

Rounding errors may occur.

APPENDIX B: DETAIL ON NATIONAL SECTOR IMPACTS

Figure 12: GDP breakout by sector and by channel (\$ millions)

Sector	Direct	Indirect	Induced	Total GDP
Agriculture & mining	\$0	\$53	\$218	\$271
Construction & utilities	\$0	\$147	\$369	\$515
Manufacturing	\$0	\$207	\$1,021	\$1,228
Trade & transportation	\$0	\$459	\$2,332	\$2,791
Accommodation & food services	\$0	\$264	\$804	\$1,068
Information & professional services	\$0	\$2,185	\$1,716	\$3,901
Finance, insurance & real estate	\$13,565	\$2,724	\$4,257	\$20,546
Management & administrative services	\$0	\$949	\$764	\$1,713
Entertainment & other services	\$0	\$156	\$956	\$1,112
Health, education & government	\$0	\$180	\$2,326	\$2,507
Total	\$13,565	\$7,323	\$14,763	\$35,651

Figure 13: Employment breakout by sector and by channel

Sector	Direct	Indirect	Induced	Total employment
Agriculture & mining	0	350	3,094	3,444
Construction & utilities	0	790	1,715	2,505
Manufacturing	0	1,428	6,534	7,962
Trade & transportation	0	4,929	29,003	33,931
Accommodation & food services	0	5,337	18,311	23,648
Information & professional services	0	17,561	10,716	28,277
Finance, insurance & real estate	186,824	21,499	18,303	226,625
Management & administrative services	0	12,979	11,048	24,026
Entertainment & other services	0	2,358	19,689	22,047
Health, education & government	0	2,800	33,477	36,276
Total	186,824	70,030	151,889	408,743

Rounding errors may occur.

Figure 14: Income breakout by sector and by channel (\$ millions)

Sector	Direct	Indirect	Induced	Total income
Agriculture & mining	\$0	\$19	\$110	\$129
Construction & utilities	\$0	\$66	\$151	\$217
Manufacturing	\$0	\$104	\$479	\$583
Trade & transportation	\$0	\$268	\$1,402	\$1,671
Accommodation & food services	\$0	\$167	\$527	\$694
Information & professional services	\$0	\$1,639	\$1,054	\$2,693
Finance, insurance & real estate	\$13,061	\$1,566	\$1,157	\$15,784
Management & administrative services	\$0	\$810	\$642	\$1,452
Entertainment & other services	\$0	\$122	\$795	\$917
Health, education & government	\$0	\$213	\$2,059	\$2,272
Total	\$13,061	\$4,975	\$8,377	\$26,413

APPENDIX C: METHODOLOGY

ECONOMIC IMPACTS

The economic impact of FSI member firms was estimated at the state level using IMPLAN economic impact software. For general background on economic impact analysis, see the box in chapter 1.

Inputs to the economic impact modeling are based on:

- **Data from FSI** on its member firms,
- **A database of the number of investment representations by state** covering approximately 28% of the 140,000 investment representatives who work for FSI members, and
- The results of a **survey of FSI member firms**. FSI invited its members to participate in this survey and responses covering 19 members were received including several from some of FSI's largest members.

The total revenue of FSI member firms, and the number of FSI investment representatives was provided by FSI based on their membership information. The ratio of total direct employment to the number of investment representatives was calculated from survey respondents and applied to FSI's membership to calculate direct employment. Similarly, the share of revenue spent on labor income, production inputs (e.g. rent, utilities, and business services), and profits was estimated for survey respondents and applied to the total revenue of all FSI members. The breakout of production inputs into specific product and service categories was based on industry data from IMPLAN and was assumed to be identical across states.

Model inputs were distributed geographically by state as follows. Employment by state was obtained from survey respondents and added to the distribution of investment representatives by state for those firms that did not respond to the survey. This distribution was applied to employment, input spend, and direct profits. The distribution of labor income by state was based on this employment distribution, adjusted to reflect state-level employee compensation differentials. These relative compensation rates were based primarily on survey responses; however, these results were adjusted slightly based on data from the Occupational Employment Survey on the relative state-level compensation level of investment advisers.

DEMOGRAPHICS

Employees of FSI member firms differ from those of the financial services at large because FSI members tend to own and operate independent small businesses. To observe these differences in employee demographics, data was extracted from the 2019 American Community Survey (US Census) for those people who indicated that they are currently employed (i.e. not retired, unemployed, etc.) in the occupation "personal financial advisors." When examining the data presented in this section, FSI members most closely approximate the profiles presented as those who identified as "Self-Employed." The "Not Self-Employed" profile most closely approximates financial advisors in the broader financial services sector who work as payroll employees.

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