

The Aging Cliff in Financial Services

BY BRIAN RESUTEK

A quiet demographic shift is reshaping financial services. As seasoned professionals retire and fewer graduates enter the sector, firms face a widening replacement gap that threatens leadership continuity and hard-won institutional knowledge. Drawing on workforce data and industry trends, this article explains what's driving the “aging cliff” and outlines practical ways to bridge it—starting with mentoring and smarter talent development.

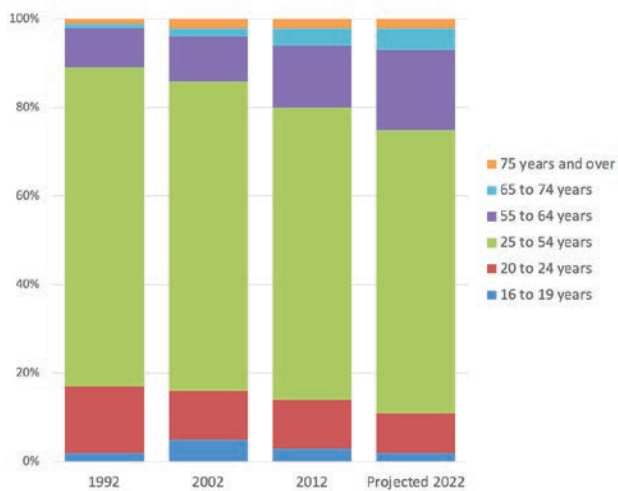


The financial services industry is approaching a structural inflection point. Over the past two decades, a growing imbalance has emerged between experienced professionals exiting the workforce and the next generation prepared to replace them. This gap, commonly referred to as the replacement gap, is a frequent topic of conversation, but largely ignored by companies until ultimately pressed. The author looked at the data and cause behind this gap and how companies and our industry should approach from a management perspective. Spoiler Alert: The talent is there.

Where are We? How Did We Get Here?

According to the Bureau of Labor Statistics, workers aged 55 and older represented roughly 10% of the workforce in the mid-1990s, but now account for approximately 24% of this age group. Call it a gap or a cliff, the figures present a concern and one the financial sector should address.

Percent Distribution of Civilian Labor Force by Age



Source: U.S. Bureau of Labor Statistics

For decades, the financial sector leaned on two reliable tools to backfill and grow leadership positions: 1) A continuing funnel of candidates through the university structure and; 2) a strong retention of talent within the financial sector relative to other industries. A Harvard report noted that dating back to the 1960s, those entering the finance sector grew nicely from 5-7% of graduates to a peak of 28% in 2007, allowing for plenty of capacity to fill and train positions throughout the workplace hierarchy. Post the 2008 market crash, the flow from universities to the financial sector was cut in half to around 15% and largely remained at this level. While still a very respectable percentage, other industries such as technology, healthcare and other newly emerging industries have taken this share of employees that typically went the financial route. Additionally, around the same period, large and regional institutions pulled back or eliminated management training programs that commonly helped channel and identify potential future talent. While exact figures are loosely available,

certain programs that averaged from 100-500 in a training program, now are more likely to be a cohort of 30 individuals in a specialized sector, if an institution has a program. This same trend has been seen in the internship programs across the financial sector.

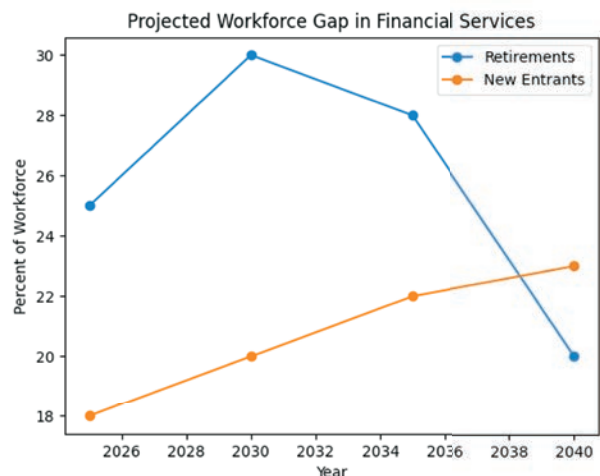


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A new entrant affecting the leadership bridge across all industries is the growth of the “portfolio career”, where workers choose more project- and trend-base work over a single, employer-based tenure, questioning the value of staying at one firm or industry for an entire career. In a Deloitte 2026 article on workplace disruption, Deloitte acknowledges that a future look of work could contain, “Workers choosing missions instead of jobs. Fractional work and portfolio careers become the engines of creativity.” The combination of more autonomy coupled with the ability to adapt to industry changes is driving this trend.

What Does Today’s Data Show? Is it Time to Panic?

There is no immediate need to panic, but as an industry, there needs to be full awareness of the existing and coming gap. On the positive, while senior leadership makes up a larger percentage of the financial services work force, there is dramatically less attrition in this segment and more individuals are happy and productive working well past traditional retirement age, helping to buy some time. Additionally, close to 50% of the current financial services workforce is between the ages of 35-54, and likely ready to take on these roles to fill the coming leadership gaps. But the movement and replacement need attention as replacement is not keeping up as shown in the chart, potentially upsetting the existing balance between leadership, mid-level and entry-level hierarchy.



This could lead to staffing shortages or talent gaps from entry to mid-level positions resulting in challenges in the industry. While not as severe as industries such as agriculture and utilities, which both hover in the 35-40% of workers over 55 years old (BLS), skill sets in the financial services are developed over years of knowledge and industry cycles that cannot be replaced overnight, highlighting the importance of tenure, which averages just over four years on average for those in the 35-54 subset, a very short window when considering senior leadership levels.

How do we slow or ultimately bridge the gap?

In fairness, financial services have evolved rapidly in the past 30 years, and certain skill sets and candidates entering the field have benefitted from a faster learning curve with access to information and overall education. Additionally, movement into the financial services from other industries will occur as part of the portfolio career movement, even in the leadership ranks, which is not necessarily a negative for the leadership replacement. Industry mentoring provides a strong opportunity not only for retention needs, but also entry into the field where all levels should be taking an active interest.

Mentoring is everywhere, but is it effective?

With formal training of the past helping serve as de facto mentoring programs, individuals and companies alike need to be cognizant of this diminished advantage of the past. Company mentoring programs exist across larger firms at high percentages, but significantly drop and are less formalized down industry where many of the employees are working. A MentorclIQ study noted that 84% of Fortune 500 companies and 100% of Fortune 50 companies have visible mentoring programs for their employees; however, Forbes cited that 63% of the workforce population does not have a mentor, illustrating the drop-off. Perhaps, more importantly, the same Forbes study noted that over 80% of individuals want a mentor in their professional career. If you want to identify a gap, this is a massive one.

Formal mentoring on the job is increasingly difficult in today's environment with flatter organizations, decreased tenure and overall expense management. As a result, the future is outside of the workplace, which might be for the better for all parties. CEOs of the largest companies often cite not one, but multiple mentors that assisted them in the journey. The most common challenge is where to start as the burden typically falls on the mentee, including the difficult, formal ask, which has the highest success rate, but with only 14% of mentor relationships starting at this phase. Women present the greatest benefit with mentoring as 63% of women report never having a formal mentor, yet comprise 57% of the workforce.

Some Models to follow for the Financial Industry

As earlier stated, two of the industries that have taken some of the share from financials services are healthcare and technology. Healthcare has mentoring embedded into their DNA with multi-year training requirements that create longer and more natural mentoring experiences. The technology field forms a more open playing field as

SFNet's Role

Through its Mentoring Program and expanding education offerings, SFNet is actively helping to narrow the secured finance talent gap by developing the next generation of leaders from within the community. The virtual Mentoring Program, presented by the Secured Finance Foundation, pairs rising professionals with seasoned industry executives for a structured mix of group sessions and one-on-one meetings that accelerate skills development, broaden networks, and provide candid career guidance many firms can no longer offer in-house. Complementing this, SFNet's professional development courses, leadership programs, and certification initiatives give employers scalable training solutions while equipping emerging practitioners with the technical and leadership tools they need to advance, ensuring a stronger, more diverse pipeline of talent for the industry.

In addition, SFNet chapters hold Guest Lecture Programs at colleges and universities around the country and *The Secured Lender* distributes a Great Places to Work issue to business and law schools. For further information visit www.sfnet.com.

obsolescence is common in this industry, requiring continuous learning at all levels and may provide a useful model for the financial sector. Often cited are formal and informal mentoring type settings in group and individual sets that lead into formal mentor/mentee relationships and, not surprising, multiple mentor situations.

While the leadership gap in the financial services is facing a challenge with a workforce nearing retirement, there is not a lack of talent to fill this space. Managers should be forward thinking and have conversations on leadership retention as part of everyday corporate growth. Additionally, leadership should become aware of talent that currently exists outside of the financial services bubble that can layer into the financial services. Firms that proactively invest in mentoring, development, and broader talent integration will not only close this gap, but gain a competitive advantage in leadership continuity. Those who do not, risk confronting the issue only when it becomes unavoidable. ■

Resources

<https://www.forbes.com/sites/christinecomaford/2019/07/03/new-study-76-of-people-think-mentors-are-important-but-only-37-have-one/>

<https://www.deloitte.com/us/en/insights/topics/business-strategy-growth/from-exits-to-ecosystems.html?>

<https://www.hks.harvard.edu/centers/mrcbg/programs/growthpolicy/evolution-financial-services-united-states>

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