

Adoption

Solving for the Retention, Practice Continuation, and Talent Shortage Challenge Within the Financial Services Profession



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Changing Lives, Forever®



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“Before you are a leader, success is all about growing yourself. When you become a leader, success is all about growing others.”

—JACK WELCH

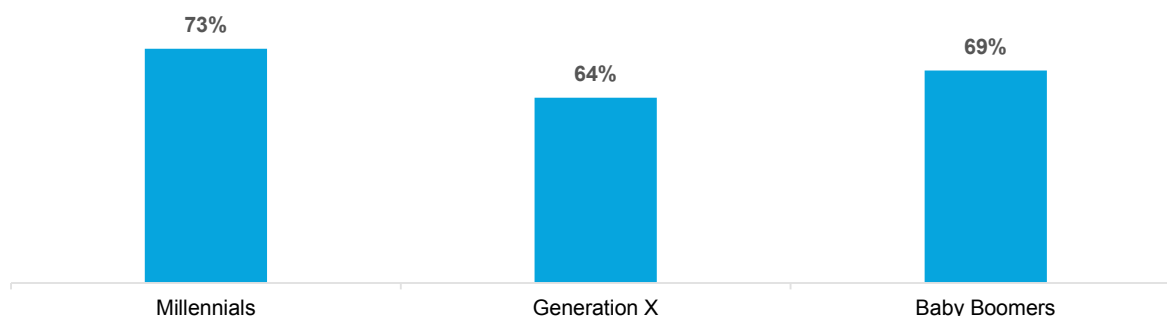
The financial services sales profession appears to be in unprecedented times. Not enough new talent is entering the industry to meet the growing needs of today’s marketplace. Current trends show that there is a pressing need for personalized financial advice:

- Roughly 10,000 Baby Boomers turn 65 every day.¹
- Almost half of all households have a life insurance need gap, representing 60 million households.²
- Six in 10 pre-retirees do not expect to receive enough income from Social Security and employer pensions to cover their basic living expenses in retirement.³

- Pre-retirees anticipate that, on average, they will need to withdraw 10 percent of their assets every year to pay for basic living and discretionary expenses. Most analysis based on historical investment returns suggest that this level is unsustainable over the course of a decades-long retirement period.⁴

While many models are becoming increasingly available to meet these needs, consumers still value personalized professional advice. Almost 7 in 10 consumers say that meeting with an agent or advisor before buying life insurance is important to them. Millennials especially feel this way (Figure 1).

Figure 1 — Meeting With an Agent/Advisor Before Buying Life Insurance Is Important to Me
(Percent Agree or Strongly Agree)



Source: 2018 Insurance Barometer Study, LIMRA and Life Happens, 2018.

¹ <http://www.pewresearch.org/fact-tank/2010/12/29/baby-boomers-retire/>

² *The Facts of Life and Annuities*, 2017 Update, LIMRA.

³ Ibid.

⁴ Ibid.

To provide consumers with the financial security they need, a stable sales force is critical. However, the industry continues to struggle with attracting and retaining individuals who can provide insurance and related financial services to the marketplace. Consider that:

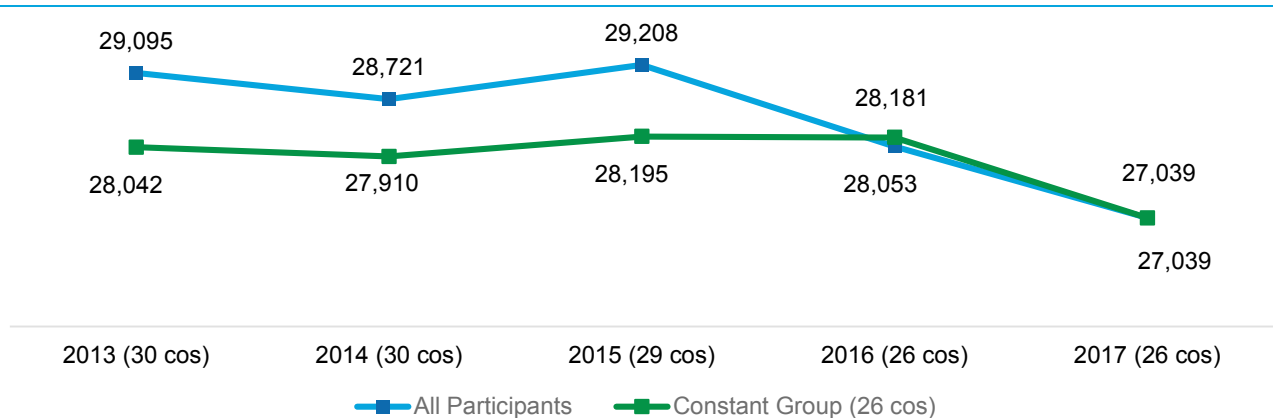
- Over the past 40 years, the affiliated agent sales force has been reduced by 112,000 agents.⁵
- Agency-building recruiting continues on a downward trend with just over 27,000 individuals recruited in 2017 (Figure 2). Adding to the challenge is that fewer companies are recruiting inexperienced advisors than in the past.
- Agency-building retention sits at just 15 percent.⁶ In other words, for every 100 new agents hired, just 15 remain after four years.

The numbers are just as concerning among investment professionals. The total number of FINRA registered representatives has recently eroded from 643,322 in 2015 to 630,132 in 2017.⁷

While the growth in the number of independent advisors has helped stem the tide to a certain degree, it is companies' recruiting and developing of new agents and advisors that provide the foundation for the long-term stability of the industry's sales force; an overwhelming majority of today's advisors 'cut their teeth' in affiliated advisor practices.

To state that a perfect storm is brewing would be putting it lightly. Despite the trends, what remains are companies, firms, field leaders, and advisors who are committed to "putting on the uniform" each day to help people take action on their financial security. Those who dedicate their life to this profession know people don't wake up inspired to insure themselves properly or save adequately for their future. Advisors know that two major obstacles standing in clients' way are denial and procrastination. The very best advisors understand their most important functions are finding, educating, motivating, and inspiring people to take action on their financial future so they can start and stay the course to financial security. The very best build their day, team, and practices around this premise.

Figure 2 — Agency-Building Recruiting



Source: Career Agent Recruiting Trends, LIMRA.

⁵ Census of U.S. Sales Personnel, LIMRA, 2012.

⁷ 2018 FINRA Industry Snapshot, FINRA, 2018.

⁶ Agent Production and Retention, LIMRA, 2018.

Despite the rewarding personal benefits that a career in financial services provides, it is apparent that most of today's job seekers are not attracted to or are resistant to a career as a financial services sales professional.

For as long as many of us can remember, the way someone launched their career as a financial advisor was via their personal network and a relationship inventory exercise (e.g., Project 100/200/300). This approach has served this industry well as tens of thousands have used their friends and family as a resource to survive the first few years and even thrive in some cases. Although a time-tested methodology, one's success hinges greatly on who they know and where they live. Hiring to such criteria can be beneficial but it begs the question: How much talent are we leaving behind?

The traditional method also comes with a price tag: It conjures a negative image in the minds of Millennials. Within the next seven years (by 2025), 75 percent of the workforce will be Millennials. This will be the largest concentration ever of one generation in a workforce. Is the industry prepared? As one managing partner comments:

"I think one of the issues the industry has is the way firms are structured. For this generation—the Millennials—the cultures aren't built to create the type of work environment they want to see."

The image is one of a revolving door career where, to get started, one has to "pester" the people they know to become clients. This image also casts a big shadow of being a sales rep rather than a knowledgeable professional. At a time when this profession is making great strides toward transparency, fiduciary practices, and open product platforms, overcoming decades of high turnover and negative experiences is still difficult.

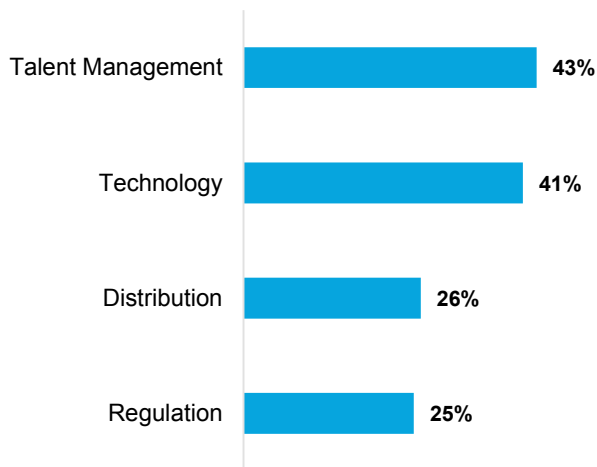
A BETTER WAY?

Top talent does not appear to be attracted to our industry. This is a result of many barriers to entry, the most daunting of which may be starting a new business from scratch combined with little — if any — financial stability early on. This causes many to give up quickly or pass up the opportunity altogether. As one young professional observes:

"We're not getting and keeping top talent. I think we lose a lot of people. I saw it at the last couple of firms [where] I have been. A lot of very intelligent, good people fail out because they either didn't have the right 100 people to call, or they just didn't have the right training. But [we'd have better luck] if there was something more like a law firm where you do come in and have a small paycheck, and you get a little bonus for what you do for a senior advisor, and it's a balance of making sure they have that Type A entrepreneurial spirit."

You will find identifying and capturing today's talent at the top of any CEO's strategic initiatives list — by no means an easy undertaking. A recent LIMRA study of over 300 executives from 47 countries found talent management to be the greatest challenge they face (Figure 3).

Figure 3 — Greatest Challenges for Today's Executives



Source: *What's on the Minds of Executives Now?* LIMRA, 2018.

It is apparent that current trends beg the question, "Is there a better way?" To explore this, the authors interviewed practice leaders and successful advisors who entered the profession in non-traditional ways. Are there any commonalities among these advisors? Is there a new way to attract and retain talent? Can we provide motivated individuals with a rewarding career?

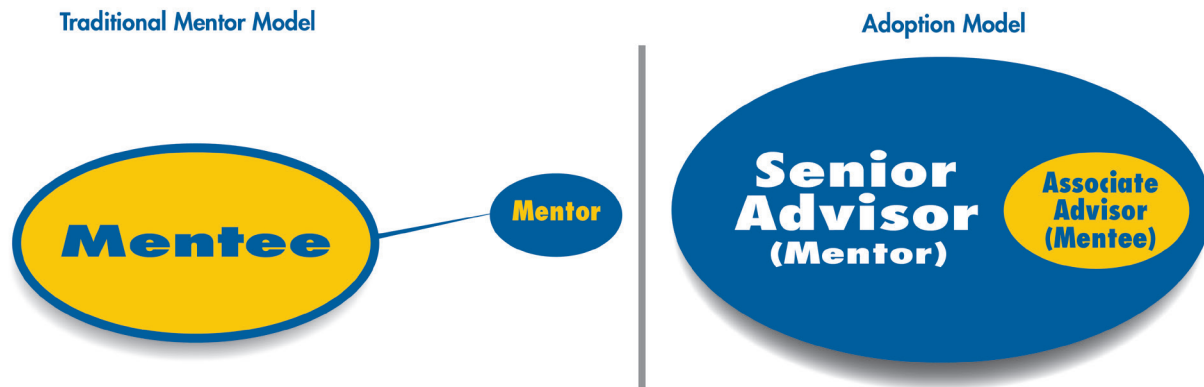
The interviews identified an unorthodox onboarding strategy that was embraced by the firms. It leads to impressive results benefitting the senior advisor, new advisor, and client. The authors have labelled this collection of special and transferrable practices and methodologies for onboarding new advisors *adoption*.

ADOPTION: WHAT IS IT?

Adoption is an enhanced mentoring relationship where the senior advisor has a level of extreme ownership. The senior advisor (mentor) not only selects the associate advisor (mentee), but in almost every case also financially supports the associate advisor by making them a team member/employee of the senior advisor's practice. It goes much deeper than the traditional mentor/mentee relationship of an occasional coffee or lunch meeting or doing joint field work where one is sharing commission or receiving overrides. It is a deliberate choice by a senior advisor to transform their practice; and the beneficiary of this decision is the associate advisor. A major takeaway from the adoption relationship is that there is an unconventional mentoring approach. In a traditional mentor/mentee relationship, it is all about the mentee. In adoption, the senior advisor and their practice are the focus (Figure 4).

...*none* of these new advisors would have entered the profession under traditional arrangements.

Figure 4 — Traditional Model vs. Adoption Model



The interviews revealed that people recruited and developed using an adoption model become highly successful practitioners who make meaningful contributions to their firms and to their clients. What proved most interesting is that *none* of these new advisors would have entered the profession under traditional arrangements. However, because of the creativity, courage, and trailblazing of their senior advisors, their practices, and firms, there is a new generation of talent taking the profession to new heights.

Ten themes emerged from the interviews of the practices that have embraced the adoption concept. This report takes a closer look at some of the key discoveries.

10 Common Themes of Adoption

1. There is a compelling desire to better serve all clients within the senior advisor's practice.
2. A strong focus on the top clients in the practice contributes to growth within the practice with the addition of an associate advisor.
3. Associate advisors precisely modeled the senior advisors' planning methodology, language, and client experience.
4. The addition of an associate advisor provided capacity and confidence for senior advisors to better grow the practice.
5. Associate advisors joined a successful practice and senior advisor within the firm/agency and often started as a team member/employee with the goal of transitioning into a "rainmaking" client-facing advisor.
6. Senior advisors had an abundance mindset with a willingness to invest in their practice beyond traditional staff with the addition of an associate advisor.
7. Senior advisors provided compensation security for associate advisors based on salary or assurance of a timeframe with transition into more performance-based compensation.
8. Practice continuation and business succession plans develop with associate advisors, but they are not the initial driver of the adoption process.
9. Positioning the relationship between the senior advisor/associate advisor and clients and prospects plays a crucial part in the overall strategy.
10. Senior advisors all demonstrated a mindset of self-awareness, desire to grow, keeping promises to clients, and the importance of embracing change.



There is a compelling desire to better serve all clients within the senior advisor's practice.

“What drove me to hire somebody was not that I even wanted to grow my existing business. It felt like I wasn't providing a level of service for my clients with which I was comfortable. I think as I was looking at what was overwhelming me I asked, “Why do I need help? Why am I not providing the service I'm comfortable with?”

—SENIOR ADVISOR

Historically, the primary motivation to hire a person into a practice was to generate additional revenue for the practice. While adoption led — in *all* cases — to an increase in practice production, it was *not* the driving motivator. The main reason for using the adoption approach was a compelling desire to better serve existing clients.

These senior level advisors had years of experience, client interactions, and monetary success and had reached a point in their careers where a deeper professional fulfillment was important to them. They realized, however, that a better client experience was needed to keep and maintain the promises to their clients and perhaps more importantly to themselves. Despite being deemed successful by firm, company, and society standards these individuals wanted to focus more on what drove them to the career in the first place: positively impacting people's lives. As one advisor reflects:

“I reached a point in my practice of mediocrity, and it didn't feel good. [Even though] my clients are satisfied, and I'm adding clients (not at the pace I want), I know in my heart that what I am doing for and with them is not my best effort and it doesn't feel good. I have to do something about that and I said I either have to substantially reduce the number of clients that I'm attempting to work with, or I have to add to capacity, but I am going to do something because I'm not content with mediocrity.”

—SENIOR ADVISOR

Simply put, the advisors didn't feel like they were able to serve clients as well as they'd like anymore. They felt a sense of guilt bringing in new clients knowing they did not have a client experience and service model in place that best reflected them. Adoption was a means to solve numerous issues on that front.



A strong focus on the top clients in the practice contributes to growth within the practice with the addition of an associate advisor.

“We want to put our best foot forward with our top clients because those are the relationships we’d like to replicate. Those are the people we want to refer, so let’s put all our energy on those clients, and it really works out well for us.”

—SENIOR ADVISOR

Our research shows that senior advisors participating in adoption actually prefer to include their associate advisors in servicing all clients — especially top clients. As one advisor observes:

“It is so important to bring in the new advisor to meet your AAA clients. They’re AAA people for a reason. Why not have the new advisor participate in all the AAA client meetings so they get a lot of satisfaction? These are really fun people to meet with and [you] feel very satisfied. Those AAA people are now getting much better service because they’ve now got access to both of us. They’re more likely to refer us to other AAA people. I just think too many people, when they think of this transition process of bringing in a new advisor, they think of it as ‘I want to take my low-level stuff and I want to give it to that person because I don’t have time for that.’ For some people, that might work, but for our situation, that’s not what it was. Day one, it was wanting to provide a higher service for my best clients, and I need help to do that, and we want to make that experience that much better for all of those high-end people.”

—SENIOR ADVISOR

An associate advisor reflects on the value of this approach:

“He [the senior advisor] wanted me to be part of the client process. It wasn’t just ‘I need someone to help push through more paperwork.’ It was at a higher level. The way he talked about how, ‘I want you with my best clients. I want this to be an amazing experience for my best clients.’ That was so refreshing to me because as someone in their 20s joining a financial advising practice, the assumption is always that I’d be working with the people that nobody else wants to, and that’s not very exciting. It’s not very appealing, but to have someone say, ‘No, I want you to join so we can make our best client relationships that much better—not only is it exciting, but it’s inspiring.”

—ASSOCIATE ADVISOR



Associate advisors precisely modeled the senior advisors' planning methodology, language, and client experience.

“Probably what’s driving him [the associate advisor] more than anything else is that he shadowed me for a year and half. He knows my lingo. He knows my decision process. He knows a lot about how I would handle client meetings. There are some new clients we’re getting referred to where I feel very comfortable that he can pretty much do everything.”

—SENIOR ADVISOR

A common training methodology among these highly productive adoption practices is having the new advisor shadow every aspect of the senior advisor’s business model so an exact experience can be created. One of the primary motivators was the desire of the senior advisors to “duplicate” themselves.

“It’s helped make them into what I want them to be, kind of a ‘mini me.’ They just wouldn’t have gotten to that if they did five or 10 meetings with me, saw what I said and did for five or 10 different scenarios, and then, just went out on their own from there and branched into their own language and their own approach. I think there’s huge value for us of having them sit in on hundreds of meetings.”

—SENIOR ADVISOR

By having someone trained and well-versed in their planning style, methodologies, language, and systems, the senior advisors had the confidence of not only serving their entire client base better but also to continue growing the practice. This was also very important at the senior advisor level for professional fulfillment and potential business succession/practice continuation purposes. These new hires weren’t brought on as standalone advisors; they joined a practice.

“The goal of the new person is to become a full-time advisor. They must have a practice within my practice. They are part of my team. We do things my way with my methods. I can only train to what I am good at. I don’t want another employee, I have those team members already. I need advisors who can make sales and judgement calls and follow in the way I practice.”

—SENIOR ADVISOR

One of the primary motivators was the desire of the senior advisors to “duplicate” themselves.



The addition of an associate advisor provided capacity and confidence for senior advisors to better grow the practice.

“I was fortunate that my practice was growing. And I had some very competent staff people. But I could see that in order to take care of the current people, make sure I was leveraging all the opportunities there, and bring in new people, grow organically, try to add true incremental growth to the practice, I really needed another advisor.”

—SENIOR ADVISOR

By training new associates in their exact ways, senior advisors felt confident to grow their client base. They knew their practice could keep their promises to clients, and they could also sell to a broader market.

Practices gathered referrals much more proactively. They knew they had the capacity, servicing capabilities, and — most important — the client experience to deliver at any level. Senior advisors wanted to create a similar experience for all clients of the practice. In order to accomplish this, they trained a new advisor (not a staff member) in their planning methods, language, and client experience so the senior advisor could personally say no to a non-profile client but the practice could still say yes.

“It just comes down to the mindset that you can only help so many people, and so, as senior advisors we realize we can't have 5,000 clients. It doesn't work. But referrals are our lifeblood, our community matters to us. We don't want to say no, and somebody gets turned away. We don't want to be that shop that you just can't work with us unless you've got 5 million bucks, or you pay us \$50 grand. It just didn't feel right to us.”

—SENIOR ADVISOR

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5 Associate advisors joined a successful practice and senior advisor within the firm/agency and often started as a team member/employee with the goal of transitioning into a “rainmaking” client-facing advisor.

“I think we went through an evolution over three years. My main focus the first year was to learn the way he (senior advisor) works, how he works with clients, and to help organize that. The whole team went up because I brought something to the table; I freed up their time. The next year, I was getting more hungry, I wanted to build my own numbers and that is half my job. The other half is to help the team and to do planning. Right now, it is a good balance and a pretty good relationship.”

—ASSOCIATE ADVISOR

The majority of adopted advisors were hired as team members/staff people who would grow and evolve into full-practicing advisors without the immediate expectation of client acquisition. Once they learned the routines of the senior advisor/practice, they would graduate to client acquisition activities. In some cases, client acquisition was expected, but the pressure of the instability of income was lessened. Senior advisors would “feed” their vetted and chosen associate advisors prospects and clients periodically to help strengthen their skills and experience as part of the practice.

“It is too hard for young people to say, ‘I’m going to start in this career by calling on my Project 100.’ I had thought in advance, I’m going to hire somebody and I’m going to have them work with me for 12-18 months, and at that point, I think they’ll have enough practical experience of how to run a business, how to speak the language, how to do the regular blocking and tackling that is necessary in a successful practice, and that by the time I do put them on a new advisor financing plan, they have the tools to apply themselves to it and make it work.”

—SENIOR ADVISOR

Once they learned the routines of the senior advisor/practice, they would graduate to client acquisition activities.



Senior advisors had an abundance mindset with a willingness to invest in their practice beyond traditional staff with the addition of an associate advisor.

“There has to be a senior advisor who’s willing to spend a lot of time and energy working with the younger person. If they’re not willing to do that, it’s not going to work.”

—ASSOCIATE ADVISOR

One of the most prominent traits of the senior advisors adopting new advisors into their practices was a mindset of abundance. The idea of taking on the financial exposure of truly hiring an advisor into their practice was not only acceptable, but one they embraced. They understood they would lead their practice to greater revenue, impact, and service capacities by investing in their practice and identifying talent who would grow beyond administrative and planning duties to client facing, client serving, and client acquisition roles.

“(I use to think) I don’t want to give up any clients because I’ve worked too hard for it. That’s kind of the biggest disconnect (of hiring an associate advisor), and then, I always thought I could do it with staff (non-advisor roles). I think you can get away with it the way I did until you get to a critical mass and then you are going to have problems. It’s going to be a compliance problem, or you are going to lose clients or you are going to stop growing. None of those were options for me, so I thought to find someone I can bring in and partner with and that’s the solution. It is the ideal situation in that you have someone willing to learn from you, willing to listen and use your language. You get to the point that I don’t mind, in fact I encourage many of my clients to work directly with him. Most of them are nice accounts; I just don’t have the time to get to them.”

—SENIOR ADVISOR

“I feel very confident that (associate advisor) could easily hunt on his own, get his own clients, create his own practice. But we don’t really need those things right now, at least for what I wanted to do. And he didn’t feel offended that he wasn’t being sent out as a hunter or fisherman. I think it’s just having this collective approach to the practice. What’s best for the practice is kind of the biggest thing.”

—SENIOR ADVISOR

The idea of taking on the financial exposure of truly hiring an advisor into their practice was not only acceptable, but one they embraced.



Senior advisors provided compensation security for associate advisors based on salary or assurance of a timeframe with transition into more performance-based compensation.

“I have a salary, and then a quarterly bonus and trails and we split everything 99/1. We have the base salary to make sure there’s money coming in and paying the bills, and then bonuses on the intangibles and tangibles on a quarterly basis. I think that definitely helps, especially in my case, with a wife and a kid at home, to know a paycheck is coming the next week.”

—ASSOCIATE ADVISOR

One of the primary components of any position is compensation. In the adoption approach, the most common form of compensation is providing the associate advisor a base salary for a period of one to two years along with some revenue sharing typically based on the overall revenue of the practice.

“The associate advisor started out on a salary as a paid firm employee. Then I weaned him off of that by giving him AUM to validate at over \$106k GDC. He is at like \$186k now. Seventy-five percent came from me. He brought some clients in. He gets 100 percent of any new business he sources. If I source it, he gets 70 percent and I get 30 percent. He is also set at a 50 percent payout level on the grid. I got this idea from another senior advisor who does this and has always been pushing me to do the same.”

—SENIOR ADVISOR

“I already have a lot of office overhead and it can be really hard to figure out what to do — the chicken or the egg syndrome. Do I have the money to invest and grow, or do I have to grow before I have the money to invest? And so, doing it this way with the revenue share made it really easy for me, and I think more attractive for the new advisor. We use our company’s financing program and I get a higher payout because of my production levels so I pay them at the new associate level, which gives me some additional money to cover overhead. We split all business 50/50. In two years they are 100 percent commission.”

—SENIOR ADVISOR



Practice continuation and business succession plans develop with associate advisors but they are not the initial driver of the adoption process.

“I didn't have this vision that I was going to eventually buy the practice and be the successor. I didn't have that in mind, but I am really a firm believer that if you are doing things with the right people, the details will work out.”

—ASSOCIATE ADVISOR

It was clear that practice continuation/business succession was not at the forefront of the decision to bring aboard an associate advisor. However, through adoption, most senior advisors felt their associate advisors would end up being the succession plan.

“I hired her (associate advisor) as an employee to have her do financial planning activities. I did not have a vision that I was hiring my successor or partner. I wanted to bring somebody in to add capacity to my practice, so that was how it came to be. Those that have more vision than me may say, ‘I'm going to get old at some point, so I better bring a successor on,’ but that was not my vision at the time. Mine simply was that what I'm currently doing is not my best. That's not acceptable, and therefore, I have to spend some money to do something about this.”

—SENIOR ADVISOR

LIMRA's *Protecting a Legacy: The Importance of Business Transition Plans*, discusses several findings that demonstrate how adoption can serve as a viable solution to this industrywide issue. Just 1 percent of clients believe their financial planner is not prepared for an unforeseen exit from the business, yet 68 percent of financial advisors do not have a formal plan established. For 69 companies distributing through independent channels, with approximately 190,000 independent insurance agents, almost half are over the age of 55. This may seem young to start thinking about business transition plans but not necessarily. Many feel that planning for a successful transition should begin as much as 10 years in advance of an advisor's anticipated exit from their practice. Identifying the right successor and the successor's ability to maintain relationships with and service clients are the two most important factors when an FP considers a succession plan.”⁸

Just 1 percent of clients believe their financial planner is not prepared for an unforeseen exit from the business, yet 68 percent of financial advisors do not have a formal plan established.

⁸ *Protecting a Legacy: The Importance of Business Transition Plans*, LIMRA, 2016.



Positioning the relationship between the senior advisor/associate advisor and clients and prospects plays a crucial part in the overall strategy.

“I position myself as the managing partner of a practice and I always say we have a team here; I have an associate advisor who has a CFP. We’ve got Carla, we’ve got Jessica, we’ve got Catherine. We’ve got all these people on the team here to support you and get you what you need Mr. or Mrs. Client. That really resonates.”

—SENIOR ADVISOR

One of the common factors among the practices that adopted associate advisors was the positioning they have done with clients to maximize the senior advisor’s relationships.

“I think the biggest thing was making sure people didn't feel like (senior advisor) will never see them again, and he's kind of passing off the reins; we didn't want clients to feel like that. We wanted clients to feel like this is just another tool/resource on your team. You have a complete team that's better able to assist you; not hey, you know the team's splitting or you're getting passed along to a junior person.”

—ASSOCIATE ADVISOR

“And a key thing is positioning. A lot of our clients are giving us really positive feedback about this—this is not that I'm getting rid of smaller clients or anything like that. And I'll often say to clients, 'As long as you'll have me, you're never going to get rid of me. But what (associate advisor) has been able to do is deepen my bench. There is now another person here who is totally familiar with your situation and your unique needs. We have a lot of depth that we can offer you. Whether I'm sick or on a vacation or whatever, if the proverbial bus came and hit me, we have you covered.' It was never to have (associate advisor) take over “C & D” clients. And I think that's a little older-school type of mentoring and bringing people in and can be seen very negatively by the incoming advisor and clients.”

—SENIOR ADVISOR

Again, adoption seems to be creating the very path needed to address these factors and concerns.



Senior advisors all demonstrated a mindset of self-awareness, desire to grow, keeping promises to clients, and the importance of embracing change.

“It is a different environment than when I started 35 years ago. You can’t recreate my practice by doing what I did 35 years ago because those opportunities don’t exist now. You’ve got to have a different forum, or a different option, to bring people into the business and I think that’s very good.”

—SENIOR ADVISOR

The final common denominator detected among the practices that adopted associate advisors was a mindset that the industry and profession has changed a great deal over the last several decades and the systems and strategies that worked well are not as relevant nor do they meet the needs or expectations of today’s candidate talent pool. These senior advisors and associate advisors demonstrated a mindset and values that can be described as forward thinking, service oriented, interdependent, self-aware, grateful, and perhaps most importantly, having an appetite for and the ability to create change.

“I think there is great optimism, but we have an image problem and it has to do with how we’ve traditionally brought people in, and I believe we need a little bit of the changing of the guard across the industry and companies. We have this reputation of training people to be salespeople and bringing in as many people as possible to see who makes it. Unless we change the behaviors of the leadership, we’re going to keep running into the same issues because it’s really hard when there are only a few people who are kind of focused on the right direction.”

—SENIOR ADVISOR

“This solo advisor thing is kind of going away, and it’s all about the client experience right now, and what value we are really delivering. It’s not asset allocation or picking investments. The computer can do that for you. So, when you have more depth, and when you have a bench, it’s just a wonderful part of the client experience. I just agree 100 percent and I do hope this method (adoption) is the new model; the old method just has too many hurdles now.”

—SENIOR ADVISOR

“I’m so delighted by the premise of this white paper. It’s refreshing; it’s encouraging. I am thrilled by the notion that this could be the model used for recruiting. Our industry is different today and there is a different definition of financial planning than what we historically have had, moving from a career of a sales person to being a financial professional.”

—SENIOR ADVISOR



Call to Action

In his business classic *The Effective Executive*, the late Peter Drucker noted, “Any job that has defeated two or three people in succession, even though each had performed well in their previous assignments, must be presumed unfit for human beings. **It must be redesigned.**”

The time has come for a redesigned path for people to enter the career of financial advisor. Adoption provides a way for senior level advisors to truly experience the three I’s of our profession — Impact, Independence, and Income — at a time and stage in their career where it has been truly earned. By identifying and onboarding associate advisors, our profession is positioning itself for a future of better retention, better client experiences, and greater practice continuation and succession.

An effective model and strategy has been established among a series of highly successful practices — independently of each other and from various regions of the country — that addresses many of the concerns the financial services industry faces with regard to recruiting and retaining talent.

The adage that “necessity is the mother of invention” rings true as these senior advisors have become pioneers. Little to no guidance, structure, resources, or support were available during their adoption of associate advisors. Hiring for character and training for competence won the day and their benefits permeated on many fronts. Our hope is that this research inspires the thought leaders, decision makers, field leaders, and qualified senior advisors to continue building out the adoption opportunity into a transferable process.

Considerations for Stakeholders

Home Offices

To perpetuate the momentum of adoption, home offices should consider financial support of the process. Currently, most new advisor subsidy programs have the payments directed to the new advisor to help them transition into the advisor role. It warrants consideration that rather than the payments going directly to the new advisor, the subsidy dollars be provided to eligible senior advisors and their practices for use in compensating an associate advisor who meets both the senior advisor’s and home office’s selection standards. This could be a zero-net outlay as these dollars are already being used, budgeted, and accounted for. The only difference is the subsidy would flow through the practice and be placed in the capable hands of a senior advisor to be allocated to the associate advisor. It would send a powerful and supportive message to eligible senior advisors and could serve as a retention tool for new advisors.

Another consideration for home offices would be to design recognition and support programs that cater to the adoption strategy. Allowing associate advisors to qualify for various recognition programs, benefits, and other perks and privileges would foster an environment that encourages greater utilization of the adoption strategy.

Firms

Firms can add value to the adoption model by continuing the quality recruiting and selection systems they have which currently, many senior advisors often do not feel benefit them. When an associate advisor is brought into a senior advisor's practice, the appreciation for the firm's recruiting and selection systems is greatly enhanced as they are the direct beneficiaries of this process. Those firms that focus their recruiting and selection processes around finding the proper culture fit will benefit even more as the adoption selection process focuses so much around this element. LIMRA's various selection tools could be the ideal resources as values alignment become more relevant than ever before.

Another factor for firms to consider is focusing their recruiting efforts around college financial planning programs and majors. Over 90 colleges now offer majors in financial planning and produce students who have already selected a career in our profession. The associate advisor role is an ideal position for many of these graduates since it may be seen as "safer" and "less risky" than the traditional launch model. For this reason, key faculty and staff within these programs can serve as stronger and more consistent Centers of Influence by steering their best students to firms and practices that hire associate advisors via adoption. This can play a significant

role in elevating the image of our profession among colleges, universities, Millennials, and Generation Z.

Quality recruiting and the selection that so many firms provide are the ideal matchmaking mechanism for adoption programs to take root. The understanding and knowledge of the firm's senior advisors by the local leadership, combined with their experience in recruiting will play a special role in launching not only the adoption program, but many associate advisors' careers.

Senior Advisors

Senior advisors should take a look at their practices, current and future needs, goals, and aspirations to determine if adoption is a legitimate course for them. They should consider the many benefits that come from hiring an associate advisor. Although it is time intensive in the beginning, it can solve immediate practice challenges, and if done right, can ultimately create a path to succession. In the end, they could have a better client service model, a more efficient practice, stronger revenues, and a way for their practice to continue enhancing their legacy. This will pave the way for our profession's future by establishing an opportunity for the next generation.

Definitions

Below is a set of definitions for the three primary roles in an advising practice: paraplanner, associate advisor, and senior advisor.⁹ Although this paper does not discuss the paraplanner role, the authors feel it is important to delineate between associate advisor duties and paraplanner duties.

Paraplanner (Support Advisor)

A paraplanner provides support to more senior advisors in the firm, and is typically responsible for data gathering, financial planning software input, analyzing data and modeling various scenarios, as well as supporting the development of the financial plan. Paraplanners may also sit in on client meetings, typically to take notes and handle follow-up items, but are not responsible for actually delivering financial advice.

Associate Advisor (Service Advisor)

An associate advisor is responsible for managing and retaining ongoing client relationships, either independently (for “smaller” clients) or in a co-advisor role with a lead advisor (for “larger” clients). While associate advisors are expected to manage and retain relationships, they typically do not have responsibility for new business development.

Senior Advisor (Lead Advisor)

A senior advisor is responsible for both managing and retaining ongoing client relationships (typically the “larger,” more complex, and most valuable clients of the practice/firm), as well as developing new business for the practice/firm. They may lead a team that involves additional associate advisors and/or paraplanners, and often have the obligation/expectation to mentor and help those advisors as well.

⁹ The descriptions of these positions are taken from Michael Kitecs' paper in October of 2017, *2017 Financial Advisor Compensation Trends and the Emerging Shortage of Financial Planning Talent*.

Research Methodology

This white paper was developed under the auspices of the LIMRA Research Agencies Group. We were interested in exploring a more effective and proven way to onboard new financial advisors. We went out to the market to find field-tested examples of what was working. We used an interview method to glean the facts and circumstances against a hypothesis we are referring to as adoption. This paper explores our findings and offers 10 principle conclusions. These conclusions can then turn into actions for companies, firms, and senior advisors.

The research consisted of interviewing a total of 22 individuals consisting of 9 senior level advisors, 7 associate advisors, 3 managing partners and 3 mid-tenured advisors. All interviews were one hour in length.

Interviewee Statistics

- Average age of the senior advisors was 50.8
- Average age of the associate advisors was 35.0
- Average years of experience for senior advisors was 27.7 years
- Average years of experience for associate advisors was 7.6 years
- Average practice annual revenue was \$1.1 million
- Production breakdown for the practices was averaged at 32.8 percent life, annuity, disability; 56.1 percent securities; 6.6 percent fees

About the Authors

Ed Deutschlander serves as CEO at North Star Resource Group, which is ranked by GAMA International as the largest privately held independent financial firm in the industry. He joined North Star in 1993 immediately upon graduation from Macalester College. His career path has been as a Financial Advisor, Recruiter, National Recruiting Director, Vice President, Executive Vice President, President, and CEO-Elect. In 2002, Ed became the youngest managing partner nationally for the Securian Financial Network, which has over 30 advising firms throughout the country. He is a past president of GAMA, co-author of several books, has been published in numerous publications on recruiting, leadership selection, training, and development of financial advisors, and is the creator of “**Recruiting University**” and “**Do Well by Doing Good.**” Ed is a registered representative and investment advisor representative of CRI Securities, LLC, and Securian Financial Services, Inc.

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