

How to Thrive During the Coming Agent Purge

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About the Author: David D. Holland is an independent financial planner/investment adviser/annuity agent in Ormond Beach, Florida. Last year, David wrote \$18 million in fixed annuities and another \$12 million in RIA accounts. He achieved this success by developing a comprehensive marketing and planning system to meet the retirement planning and investing needs of today's retirees. In 2007, David teamed up with industry veteran, Mike Mastowski, to establish Retiree Adviser Marketing Corporation (RAM). RAM provides independent agents with access to high quality annuity products and helps them expand their services to include real retirement advice. To get more information about RAM's services or to arrange for an individual practice development consultation with David Holland, agents are invited to call **888-422-7007** or visit **www.retireeadviser.com**.

First I was Mad

Like you, I try to keep abreast of what the media is saying about our industry. What *looked* like the latest attack on our industry came from the WallStreet Journal and focused on "Free Lunch Seminars." When I first read the article, I got mad. I thought to myself, "Why won't the media leave us alone? We're trying to help people and seminars are a great way to meet people who might want or need our services. What are we supposed to do?"

Then I Was Glad

After I rolled my eyes (and the article around in my head for a few days) I realized that all of the media attention and heightened regulatory scrutiny are a good thing. Yep, I said it ... I think it is a good thing. I'm glad, and you should be too, that there's a focus on protecting the consumer. The regulators aren't after agents who want to help people ... they're worried about the bad agents.

What do I Mean by Agent Purge?

Over the next ten years, **many annuity agents will be squeezed out** of the business by the following changes and shifts:

1. Heightened regulatory scrutiny and enforcement actions.
2. Stricter suitability review and appointment standards by insurance companies.
3. Stricter and greater requirements for errors & omissions insurance coverage.
4. Increased cost of compliance, education, and training.
5. More capital needed to operate a successful business (e.g., a bigger marketing budget).
6. Formidable competition from Certified Financial Planners[®] and RIA firms.
7. Increased product awareness, knowledge, and skepticism by consumers.
8. Increased regulatory and consumer pressure to disclose compensation and commissions.

If you do not have a well-thought-out strategy to deal with these changes, you could be shoved to the sidelines and be unable to compete in the new financial services business environment.

Signs and Portends

It should be obvious that we are headed for an agent purge in our industry. It is overdue. Frankly, I welcome it. Visionary Dan Sullivan predicted the purge in his *Death of a Salesman* article back in February of 2005. Here are just a few signs that we are on the brink of the purge:

1. The Media Attention – Although not representative of most agents, there will continue to be plenty of sad stories of how individual consumers have been crushed by the abusive sales tactics and reckless conduct of bad agents.
2. It is a felony in the State of Alabama for an agent to give unregistered advice. Similarly, the State of Arizona recently handed out \$16 million in fines for unregistered advice.
3. Easy-to-get retirement and financial services credentials are under attack.
4. Regulators are making more statewide sweeps of “free lunch” seminars.
5. Class action lawsuits against leading insurance companies have become more prominent.

Stray Bullets

Are there too many agents? The last time I checked, there were about a million licensed insurance agents in the United States. A million probably isn't too many. The problem is that we have too many bad agents who are hurting consumers and giving our industry a poor image. Good agents are just innocent bystanders in a shoot-out between the Law (a/k/a the federal and state regulators, and insurance company suitability departments) and the Outlaws (a/k/a ignorant, reckless, and/or scheming agents). As law-abiding folk, we should applaud when the cattle rustlers are caught, tried, and hanged for their crimes. In fact, we should join the posse and help catch the outlaws. If we policed ourselves more, there'd be less for the media and others to talk about (like the securities industry who has its own agenda ... but that's another topic).

Just Too Easy

Today, it is too easy to become an insurance agent and be appointed with an insurance company. *No experience ... no problem.* Many insurance companies just employ the “mirror test” in appointing agents (i.e., if they fog the mirror when it's put to their mouth, they “pass”). *Drive a beer truck during the day and want to sell annuities at night? No problem, just complete the appointment form and send it in. No E&O insurance you say? No problem because that's not required either.*

Within a very short period of time and with very little training or education, an inexperienced agent can have access to annuity and insurance products. Armed with these products, ignorant agents can then start counseling retirees on how to invest what has taken them their entire lives to accumulate. Lives have, and will continue to be ruined, by agents who don't recommend the right investment and savings vehicles to retirees. **Why should we be mad or surprised when the regulators and the media see a problem with this ugly combination?**

A Solution Requires a Tag-Team Effort

A Tag-Team effort is needed by the insurance companies and the insurance regulators to solve the current bad agent problem. First, it should be much harder to get appointed with an insurance company. If ignorant agents cannot get access to product, then they won't be able to do as much damage. Before agents are appointed (and are allowed to start selling products to people), insurance companies should do much more to ensure that the agents have more than a minimum level of knowledge regarding product features, suitability, and financial planning. For example, what would be

wrong with insurance companies requiring a professional credential like the Certified Annuity Specialist (offered by the Institute of Business and Finance: www.icfs.com) before an agent could be authorized to sell their annuity products? I don't think that would be too much to ask of someone offering to advise retirees on their retirement assets. The truth is that a successful agent can make more money than a doctor ... so I think it is time that agents were asked to become educated before they *practice medicine*.

Second, the regulators need to sharpen their focus on catching the bad guys. The Securities and Exchange Commission (The SEC) and the various States' Departments of Insurance and Securities all need to work together to flush out and capture the agents who are knowingly and recklessly endangering consumers with their bad behavior. However, as part of this robust effort, the regulators need to preserve and protect the "good agent." They need to ensure that the investing public knows that it can still trust most agents to help them. While the regulators are setting traps to catch the bad guys, they also need to educate the public on how to find an agent or adviser whom they can trust to advise them on their finances. Despite what *do-it-yourself* magazines would have everyone believe, most consumers actually do need and want help from a financial adviser or agent they can trust.

Should Anyone be Worried?

If you're not putting clients first, you should be worried about the coming agent purge. I'm not looking to insult anyone, but, if you fit one of the following five agent categories, *you know who you are* and your days in this business are numbered. I suggest you start looking for another career.

1. **Bonus Peddlers** – Do you just pitch bonuses to get people to buy annuities? If so, you are the insurance company's *step-and-fetch-it* and you are lazy.
2. **Jailers** – Do you routinely put clients into ultra-long annuities and *throw away the keys*? Try looking at products with seven-year surrender periods.
3. **Bullies** – Do you *intimidate* people into buying your products when you meet with them? If so, don't be surprised when the regulators show up and *bully* you.
4. **Churners** – Do you direct clients to withdraw funds each year from an annuity you sold them just so you can put that money into another annuity and generate more commissions? *You've got to be kidding?* Stop it.
5. **Part-timers** – Is helping people with their money just a side or part-time job for you? If so, please get out of the way and leave it to the professionals. Advising people about their money is honorable, important work and worthy of an agent's full-time, undivided attention.

Your Purge Thrival Plan

Here are five things you can do to survive and thrive during the coming agent purge.

1. **Get an Office** – If you make house calls, stop. **I never make house calls.** How many doctors and attorneys make house calls? Your work is just as important and you should have an office. **Regulators know that a lot of the bad stuff that happens to consumers happens when the agent is sitting at the kitchen table** with the consumer, "one-on-one." Don't be surprised when it becomes strongly discouraged, or even against the rules, to meet with a prospective client in their home. You've got to have an office.

2. **Get Your CFP®** – Become a Certified Financial Planner® (Institute of Certified Financial Planners: www.cfp.net) and get additional specialized education and training in the market niche you intend to serve.
3. **Join the RIA Evolution** – Stop giving unregistered investment advice to clients. If you tell clients to sell their stocks to buy index annuities, that's unregistered advice unless you are an RIA or affiliated with one. As soon as possible, you need to take the series 65 exam and affiliate yourself with an RIA firm. You'll silence the critics, offer a broader range of services, help more people, and make more money.
4. **Add Value or Get Out of the Way** – Quickly develop a client acquisition and planning system or find someone who's already done it and use theirs. To succeed in the current and coming business environments, you have to have a process that consistently attracts a steady flow of prospects and that enables you to provide *real* advice. That means you need a reliable seminar system and the ability to present easy-to-understand, customized retirement plans. You've got to help your clients build and realize their retirement dreams. You won't thrive until you have a value proposition that clients understand.
5. **Diversify Your Product Offering** – Are you recommending annuities from just one insurance company? If so, you're putting all your eggs, and those of your client, in one basket. With a little more effort, you can diversify your product offering, ensure that you are using the right product for each client situation, and insulate yourself against the risk of a class action lawsuit against that one insurance company. You've got to be able to pivot when insurance companies make mistakes. Your best bet is to find an Independent Marketing Organization (annuity marketing company) that gives you access to products from multiple companies. When you choose an annuity marketing company, be careful and ask a lot of questions. If the annuity marketing company is owned by an insurance company, it will likely be that insurance company's annuities that the annuity marketing company will push no matter what. (Whether or not those annuities are good for clients will be completely irrelevant to them.)

Avoid the Punch

It has been said that the best way to avoid a punch is to not be standing there; the same can be said for the upcoming agent purge. If you want to thrive in this business during the next ten years, you must act now, and take deliberate, well-reasoned steps to position yourself to serve your clients -- and to serve them well.

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