

CUSO Financial Services and Sorrento Pacific Financial Present

Best Practices

Best Practice [best prak-tis] :

A practice which is most appropriate under the circumstances, especially as considered acceptable or regulated in business; a technique or methodology that, through experience and research, has reliably led to a desired or optimum result.

The techniques and methodology identified
through our research and experience that will lead to
optimum results for your investment program

Introduction

There has been significant change in the financial institution (FI) investment services industry. Two new rules from the Department of Labor and the continued maturation of digital advice have the potential to reshape our industry to a degree seldom before experienced. While many questions remain around the exact impact these changes will have, one thing is fairly clear: The up-front commissions that have long been the lifeblood of FI retail brokerage will be reduced or replaced by more “levelized” compensation, which could have a significant impact on financial institution investment program revenue and profitability in 2017 and beyond.

Just as shrinking margins require more volume in your loan business, so too will these shrinking commissions require more invested dollar volume to offset those declines. Thankfully, Federal Reserve Board studies¹ show that for every dollar a bank or credit union member/customer has on deposit with the financial institution, they have \$4 - \$5 invested in retirement accounts, stocks or mutual funds – exactly the kinds of accounts your investment representatives work with on a daily basis. Gathering these outside dollars will be key to your investment program’s success going forward.

*The million dollar question of course, is, “How do you gather those outside dollars?” Our research indicates the answer is in **getting more “at-bats” and more “extra-base hits.”***

By “at-bats” we’re referring to the number of quality appointments your advisors hold each week. “Extra-base hits” refers to your advisors’ ability to take full advantage of each appointment opportunity. While the ability to get more “extra-base hits” is an individual professional skill that each advisor develops through working with their program manager and with the assistance of the CFS/SPF Program Development team, making sure your advisors have enough “at-bats” is something that requires the full coordination and support of each level of your organization.

- *By working with our top-performing programs, CFS/SPF has identified **five distinct levels within the financial institution that have the ability to dramatically impact the number of “at-bats” your advisors have each week.***
- *These levels include **Executive Management, Marketing, Branch Management and Staff, the Investment Services Program Manager, and the Representatives themselves.***
- *In addition, is the use of Technology to gain efficiencies by **integrating investment services into Home Banking and Big Data marketing.***

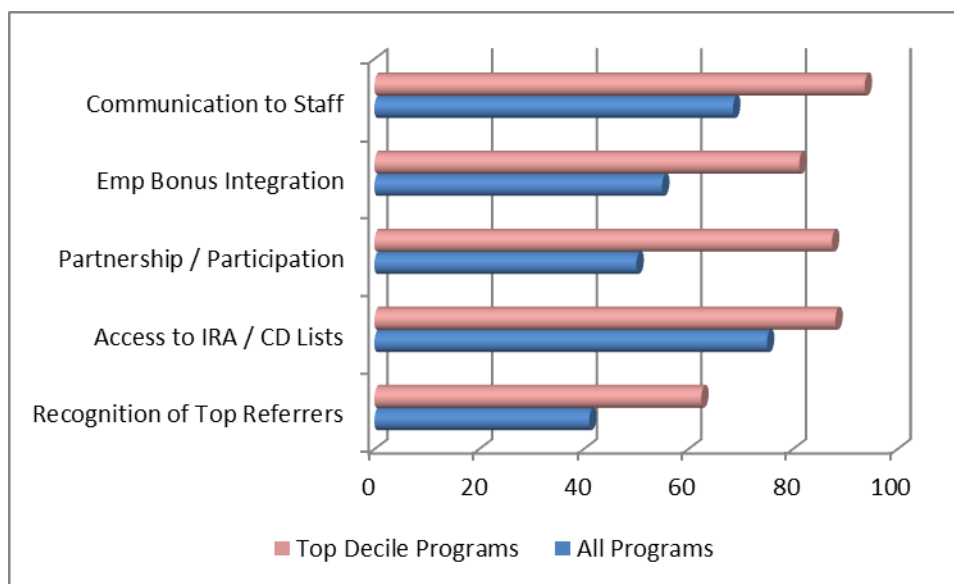
Across the board, top-performing programs tend to implement a significantly higher percentage of best practices than average performing programs. This CFS/SPF Best Practices Survey was designed to

¹ 2013 Federal Reserve Board Study of Consumer Finances

identify those specific best practices at each level within your organization so your advisors can get as many at-bats as possible. The results are detailed in each of the following sections.

#1 Executive Management

The leading best practice from financial institution executive management by top-performing programs *is consistent communication* to staff that the investment services program is a core service of the institution. These executives are constantly communicating to staff the importance of financial planning and investment services to their members/customers' financial well-being and publicly recognizing top referrers to the program. They also make sure that staff understands that members/customers who use the institution's investment services program generally have higher services per household, and deposit balances that are 3-5 times higher than the average member/customer². *As such, 88% of these executives combat front-line and middle management fear of disintermediation by allowing access to IRA/CD lists and positioning investment services as a tool to grow deposit and loan balances.*



Executives of top-performing programs *back up that core service message by integrating the investment services program results as a metric in the employee bonus program* of the

² Kehrler Bielan, *The Value of an Investment Client to a Bank or Credit Union, Jan, 2015*

institution. Further, as indicated in the branch management and staff section, executive management supports the establishment and accountability of both referral and invested dollar goals at the branch level. From a program structure perspective, 87% of top decile programs have hired an investment services industry professional as program manager to lead the program.

One potentially surprising finding of the survey showed the importance of partnership and participation with CFS/SPF. Executive management of over *87% of top-performing programs actively participated in conferences and office visits from CFS/SPF senior management*, while only 50% of executives among average programs attended at least one CFS/SPF conference or meeting per year.

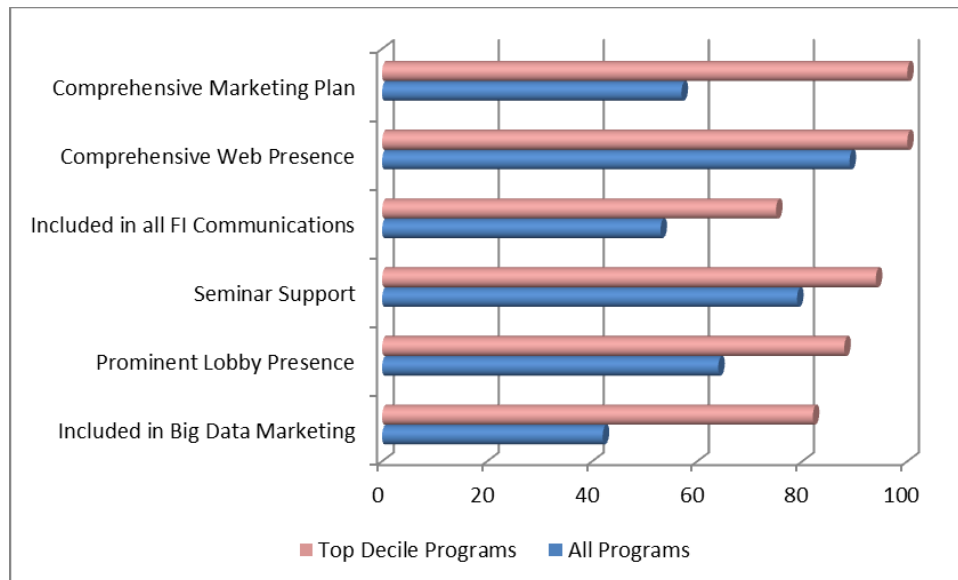
Finally, several additional best practices were offered in the open comments section. Some of the more intriguing and impactful include:

- Investment services performance is included as a metric in determining the executive management team's annual bonus.
- Investment services is included in strategic planning and integrated into the overall Vision and Value Proposition of the FI.
- Executive management works closely with the CFS/SPF Program Development team.
- Investment services has a dedicated office in each branch
- The FI has instituted a referral incentive program (i.e. – pay a nominal amount to staff who provide referrals to the program.)

#2 Marketing

By far the most universal best practice implemented by marketing departments of FI's with top-performing investment programs is the execution of a comprehensive marketing plan. *100% of top performing programs have an integrated, comprehensive marketing plan, while only 57% of average performing programs have a comprehensive plan.* According to top decile programs, a comprehensive marketing plan consists of:

- Comprehensive, easily-accessible (within one click), up-to-date presence on the FI's website.
- Creating awareness among the member/customer base by including investment services in all outreach communications including, email, newsletters, social media, etc.
- Support of member/customer financial education through seminar promotion, registration and follow up.
- Development of collateral materials to create a strong lobby presence



One noteworthy finding is that 80% of top decile programs include investment services in their big data marketing efforts. In follow up of these findings, we learned that many of these programs are using this data to *more strategically develop targeted marketing messages to specific demographics*. For example, rather than blanket their entire member/customer base with a generic “retirement” message, these programs are targeting pre-retirement (accumulation), retirement transition (rollover) and post-retirement (income) messages to specific age groups or employer bases. In addition to their regular, broader-based awareness communications, *these programs are also utilizing consistent (at least quarterly) drip email communications to these targeted audiences* with these specific messages.

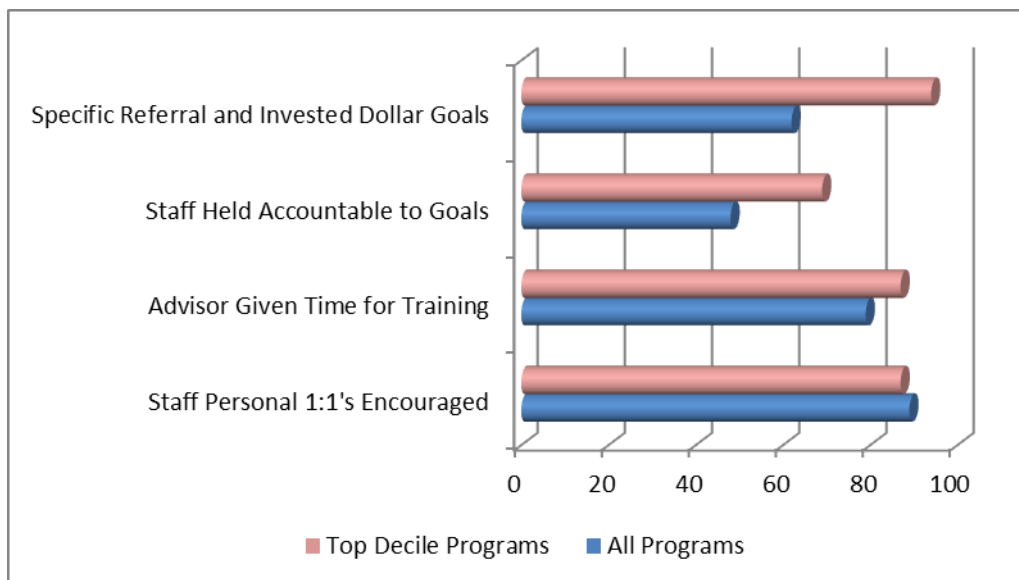
Just as with the Executive Management section, several “write-in” best practices were offered that are worthy of consideration.

- Monthly email blasts to target markets
- Provide advisors with real estate loans that have closed 90 days ago. Have marketing send out an introduction by email and then have the advisor make follow up calls.
- Upload/flag targeted members to FI CRM to make it easier to identify referral opportunities in the branch
- SEG lunch and learns – Hold quarterly workshops/seminars onsite at the FI's largest or most promising SEGs.
- Dedicate a specific marketing staff member to Investment Services

#3 Branch Management and Staff

When it comes to best practices in the branches, it all comes down to setting goals and creating accountability. *Over 93% of top decile programs set referral goals for the branches as compared to 60% of other programs.* Top decile programs also do a more consistent job of holding staff accountable to those goals.

In addition to the number of referral goals, *top decile programs also set invested dollar goals* for their branches. While branch staff cannot directly control invested dollars, these goals tend to improve the quality of referrals sent to investment services. Of course, being able to identify quality referrals is often a result of training, and the strong majority of all programs provide advisors at least 10 minutes per month at branch staff meetings to educate staff on what they do and how they can help members/customers. Staff members are also encouraged to meet with advisors for help with their own personal planning.



Once again, several "write-in" best practices are worthy of consideration:

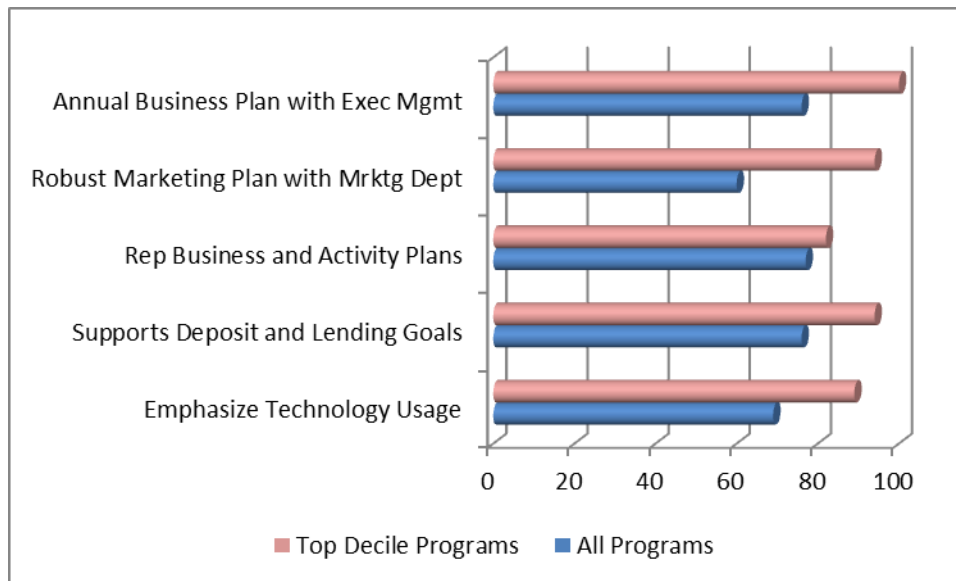
- Advisors are held accountable to provide a certain number of referrals back to the branch.
- Formal monthly meetings are held to facilitate consistent communication between branch managers and advisors regarding mutual goals and how to support each other
- An "investments champion" is assigned at each branch and provided with quarterly training so they can effectively advocate within the branch.
- Create referral expectations between mortgage, business development and investment services. Get them to truly collaborate to promote each other's services

- Hold an annual branch manager/investment advisor symposium to set goals and expectations, and to brainstorm better ways to meet those goals.
- Hold a top performers annual dinner for top 10 referrers. Make it a big-time event that people strive to qualify for.

#4 Program Management

As the “hub” of the investment services program, the Program Manager’s role is not only to assist in the business planning for the program, but also to coordinate the execution of those plans. Not surprisingly, *100% of top decile program managers work with their FI’s executive management teams to create a well-defined annual business plan.*

More noteworthy however, is the gap that exists between top decile programs and all others in regards to the PM’s role in working with the FI’s marketing department. *While 93% of top decile program managers actively work with their marketing departments to create a robust and ongoing marketing plan, only 60% of all other programs do the same.* This gap is one of the largest in the survey and illustrates the need for PMs and marketing professionals to work together to create awareness for the program.



Program Managers at top decile programs also recognize the value of, and emphasize the use of, various technology tools with their advisors. These tools include planning software such as MoneyGuidePro, Albridge and Morningstar; remote delivery tools such as BuildMyProfile™ and SendMyDocs™, and even

the CRM capabilities within dataVISION®. *These tools have been shown to increase advisor efficiency and result in higher average assets under management per client.*

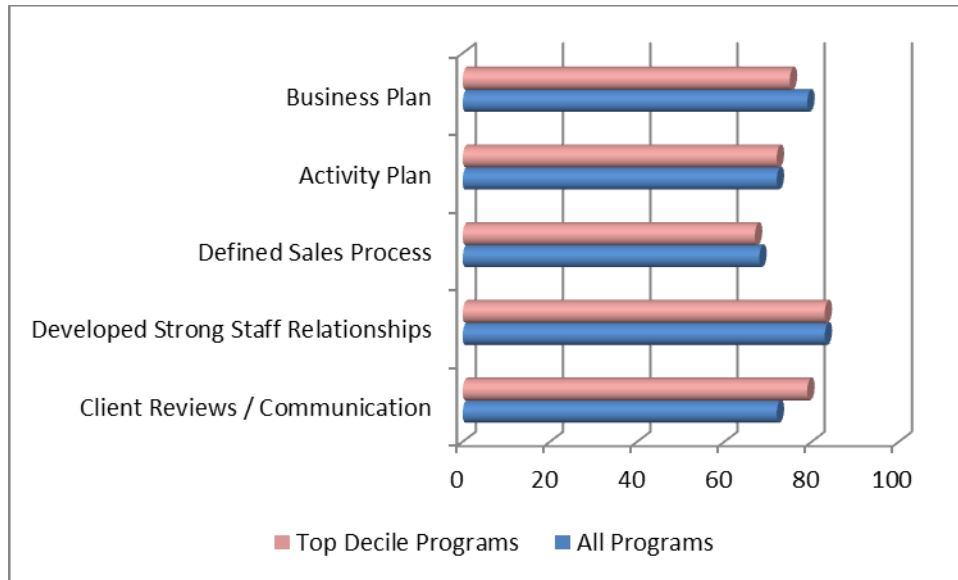
As expected, a large majority of all PMs work with their advisors to create an annual business plan and a separate activity plan designed to reach those goals. Almost 80% of all PMs also work with their advisors on an annual professional development plan, designed to increase the advisor's professional knowledge and skills. Over 80% of PMs hold regular meetings with their advisors to hold them accountable to those plans and activities.

Some newer ideas for PMs that, while not yet widely implemented, still seem to hold strong promise:

- Working with the FI to create a strong onboarding process to get new representatives up and running quickly and efficiently.
- Developing a strong network for recruiting.
- Taking responsibility for developing relationships/opportunities with key contacts inside the most promising select employee groups or centers of influence.
- Emphasizing a financial planning approach leading to increased Life/LTC sales.
- Focusing on invested dollars and recurring revenue.
- Communicating weekly sales and activity results to representatives, branches and management.

#5 Representatives

At the rep level best practices can be divided into those that are intended to generate additional appointment activity (at-bats) and those that are intended to get the most out of each appointment (extra-base hits). Among those that are intended to generate more at-bats, *almost 80% of all representatives are required to have a business plan to which they are held accountable and over 70% are required to have a marketing/activity plan.* According to their program managers, over 80% of representatives have built strong relationships with their branch staff.



An area that can be improved is book segmentation and service level standards. Of the PMs surveyed, only about half believe their advisors have actually gone through the process of segmenting their book of business, with even fewer creating clearly defined service level standards, both of which will be critical in a post-DOL world.

In terms of getting extra-base hits, about two-thirds of PMs believe their advisors follow a defined sales process, but only about half of all advisors are using a financial planning software package such as MoneyGuidePro. A separate analysis shows that *clients who received a MGP financial plan have an average of 50% higher AUM, which illustrates the fact that creating a financial plan leads to increased wallet share.*

Additional “write-in” representative best practices to generate more at-bats include:

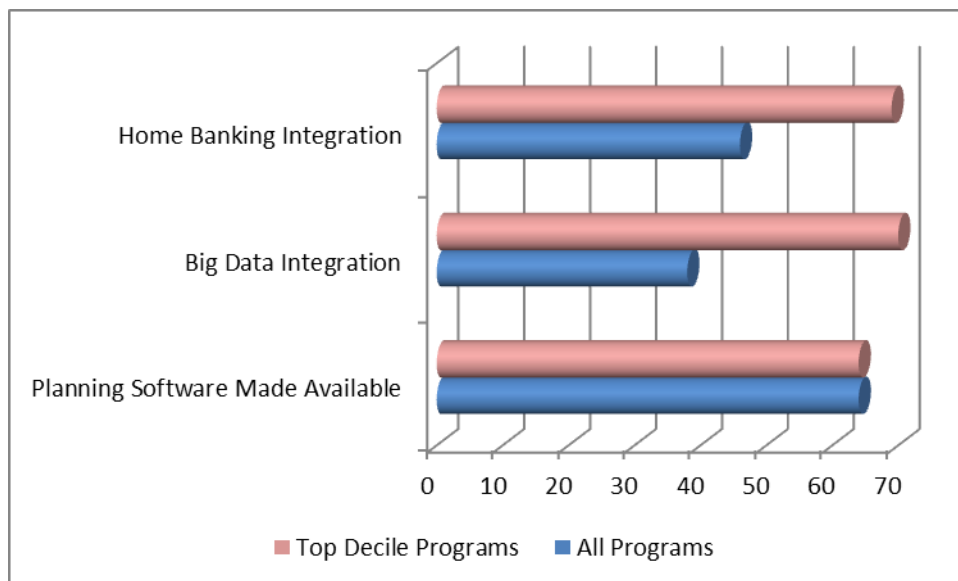
- Have an annual business plan.
- Create a rep-level marketing plan that includes specifics on how to build staff relationships, defines your client communication plan, and specifies certain activities to develop relationships with centers of influence.
- Do a welcome call to new employees or as part of new hire training.
- Follow up on referrals with referrer.
- Hold quarterly referral contests.
- Hold monthly educational seminars, preferably onsite at major employer groups.
- Send referrals back to the branch (create rep referral goals.)
- Engage in business development activities with SEGs.
- Publicly recognize referrers.
- Send thank you notes to staff for referrals.
- Hold client appreciation events.

Best practices for generating extra-base hits include:

- Use a fact finder or data gathering form.
- Use a defined, repeatable sales process.
- Segment your book of business and develop service level standards for each segment.
- Utilize dataVISION® as a CRM to assist in executing those service level standards.
- Do financial plans for your clients and prospects.
- Use review appointments as an opportunity to re-profile to uncover additional needs.
- Continually sharpen your skills through professional education.

Technology

When it comes to technology, one area where it appears our end clients – the members/customers – are making their preferences known is in the area of home banking integration. In today’s world consumers want to be able to see all their relationships with their FI in one location. *A full 70% of top decile programs integrate their clients’ CFS/SPF accounts into their home banking platform, as compared to 45% of all programs.*



As mentioned previously, top decile programs also integrate investment services programs into their big data marketing efforts. Additionally, roughly 60% of all programs make financial planning software available to their advisors.

Conclusion

To truly be “running on all cylinders” requires attention to lots of details at several levels. It is our intention to refine this best practices survey to further evaluate long-held beliefs, validate new ideas and use this as a mechanism to share those best practices with you.

Adopting as many of these best practices as possible will be critical to moving your program forward. Our Product Mix Transition Calculator has proven to be a very useful tool to help define specific goals for your program, and these best practices will help you achieve those goals.

For further information or to join CFS/SPF to begin implementing the best practices discussed in this paper, please contact:

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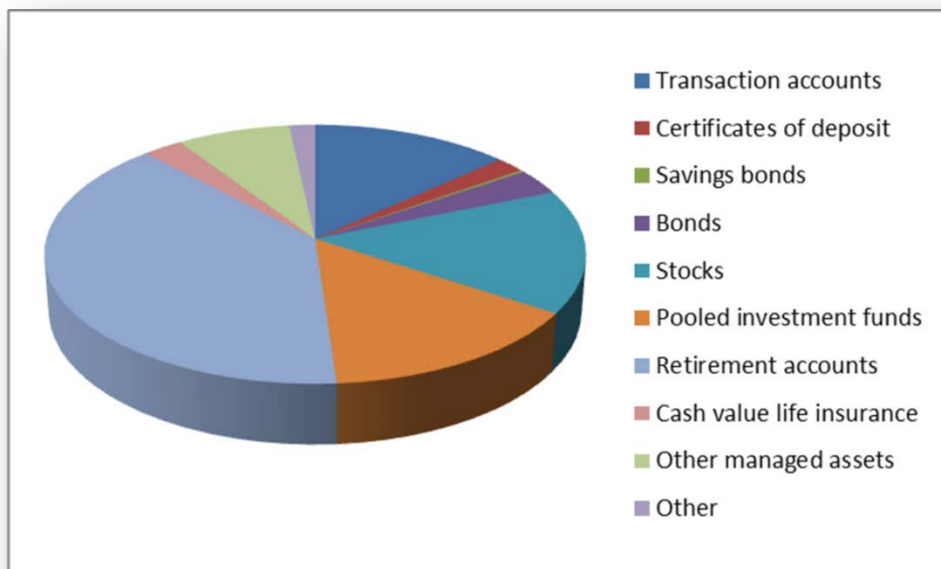
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Footnotes:

1. *Source: 2013 Federal Reserve Board Study of Consumer Finances*



2. Source: Kehrler Bielan, *The Value of an Investment Client to a Bank or Credit Union*, Jan, 2015

