

One Act, Many Opportunities

By David J. Drucker



A new law makes it easier for advisors to leverage themselves.

Why collect clients one at a time if you can find and serve many clients through a single contact?

Many advisors have tried to establish corporate contacts that would allow them to advise multiple employees under one contract. Sounds like a great strategy, even if relatively few succeed at it. Finally, new federal legislation is opening doors for advisors. In August 2006, President Bush signed into law the Pension Protection Act of 2006.

"Corporate employees have always needed help sorting through the sheaves of papers and financial concepts to make sound decisions affecting their retirements," says Kevin Condon, executive vice president of advisor services with Boulder, Colo.-based myFinancialAdvice LLC. "With the Pension Protection Act of 2006, employers' corporate liability for company involvement in giving personal financial advice has been dramatically reduced and the burden shifted to the 'fiduciary advisor.'"

Indeed, the Pension Protection Act defines as "fiduciary advisors" individuals who may offer personally tailored professional investment advice to help employees manage their 401(k) plans, individual retirement accounts and other retirement vehicles—if they meet disclosure, qualification and self-dealing safeguards. In such situations, employers and plan sponsors are not obligated to monitor the specific advice given to any particular participant or beneficiary, just to prudently select and monitor advice providers. "Suffice it to say the door is open quite wide now for advisors to help employers," adds Condon.

And that is precisely what Condon and myFinancialAdvice have done. Originally conceived as an online planning delivery system for individual clients wanting to pay for help by the hour, myFinancialAdvice (www.myfinancialadvice.net) is now branching out to deliver advice to employees of small businesses with which they've negotiated service agreements.

Normally, an individual would go on the myFinancialAdvice Web site, scroll through the various advisors participating on the site, select one, pay his or her hourly rate via the site and receive advice. Under agreements directly with employers, employees wanting 401(k) advice or, perhaps, advice on implementing an HSA, would follow a link on the employer's Web site to a myFinancialAdvice Web page created specifically for that employer, pay a flat rather than hourly fee, select from a somewhat narrower list of advisors than would be available on the retail site, receive a proposal, accept or reject it and finally complete a data form and await contact from the advisor. "After the employee receives advice on a specific issue, he can access our public site for broader advice, if desired," explains Condon.

In conjunction with these employer agreements, advisors affiliated with myFinancialAdvice receive a template giving them all the details on the employer benefit plans they'll be advising on. Says Condon, "The advisor doesn't have to figure out how the employer's benefit package works because we've prepared that information for him. And, if she's advising on HSAs, for example, the advisor can take a short course followed by an exam that we've designed and which qualifies for continuing education credit by the CFP Board."

But how does an advisor approach an employer if he doesn't have an organization like myFinancialAdvice backing him up? Hal Schweiger of Capital Financial Advisors LLC in San Diego says, "I focus on the 401(k) market for medium-sized businesses and provide all my services on a fee-only basis. I have found it difficult to reach business leaders directly, no matter how poor their current plan. They are a little more receptive now that the Pension Protection Act has passed and is raising their awareness."

Schweiger says he's made some headway by approaching CPAs who audit 100+ participant plans to discuss plan costs and his investment approach. "I have gotten some referrals this way."

Bonnie Hughes of A&H Financial Planning and Education Inc. in Kennesaw, Ga., landed one corporate client when Helga Cuthbert, a colleague and local advisor with Touchstone Financial Guidance, was asked to consult with a 90-employee firm and turned to Hughes for help. "We delivered group presentations on general financial planning and retirement concepts and included specific information on the plan changes being offered to the employees. Following that, we met with each of the 90 employees for one hour to review their individual circumstances," says Hughes.

When auditioning for the job, Hughes and Cuthbert learned the employer was seeking "independent, fiduciary, Certified Financial Planners" to work with his firm. He had his legal department do a background check on Hughes and Cuthbert, including their proposal, contracts, privacy policies and ADVs, the latter of which the company gave to all its employees. Hughes and Cuthbert completed the job successfully and began marketing themselves with the Web site www.educatingyouremployees.com.

"I would love to do more of this work," says Hughes. "There's almost no paper given to participants and the gratification is instant compared to the other planning we do." What she's learned is that larger employers are more likely to rely on their plan providers for employee education, so she and Cuthbert will target small- to medium-sized employers going forward.

Unless you already work with small business clients, getting on an employer's radar as an option in their efforts to educate employees may be slow going. However, if you like the idea of partnering with a larger entity that can make these contacts for you and secure planning engagements for entire employee segments, you have some choices. There's the aforementioned myFinancialAdvice, and there are also the Heartland Institute of Financial Education and the Merit Retirement Advantage program.

The Heartland Institute of Financial Education (www.hife-usa.org) is the brainchild of Alan Gappinger, based in Aurora, Colo. Gappinger is a CFE, or Certified Financial Educator, a credential awarded by the Institute to advisors who have completed its financial literacy training course. On the firm belief that clients should start financial planning early in life, Gappinger developed the Institute in 1997 and, since then, has brought its financial literacy courses to more than 100 Colorado employers.

Gappinger saw that financial planners promoted themselves and educated the public primarily through seminars, and thought, "Shouldn't colleges and universities be involved in this effort to promote financial education?" Gappinger began approaching universities in Colorado and first convinced the Community College of Aurora and Colorado State University that they should be part of the financial literacy process. He also convinced Dr. Thomas Garman, considered by many in the education field to be the guru of financial literacy and financial education in the workplace, to become an advisor to the Institute's Board.

Now the Institute offers a dozen different courses sponsored by ten colleges and universities. "We are ad hoc instructors for the various colleges and universities the Institute represents. But instead of teaching the courses on college campuses, we take them on-site to major companies for use in educating their employees," says Gappinger.

Todd Kelley, a Lincoln, Neb., financial advisor, earned his CFE in June 2004. Says Kelley, "I previously owned an advertising agency, and this was easily the most effective marketing program I've seen to get in front of potential clients. I also enjoy knowing that I'm helping individuals truly learn about finances without any hype or specific sales objectives." Kelley says that in the last two years, half of his annual revenues have come from his work with the Heartland Institute.

Adds Gappinger, "We have recently joined forces with a California company that supports 21,000 employers and 25 million households. We're helping to educate and coach employees of those firms on 401(k) choices and other financial education issues." In addition, says Gappinger, the Institute is making the Fiduciary Advisor qualification part of its Certified Financial Education curriculum, for those who want it.

Another opportunity to join forces with a larger entity that can get you in the door to do employee counseling is the Merit Retirement Advantage (www.meritretirementadvantage.com) program by Rick Kent, a Securities America advisor in Alpharetta, Ga. Kent developed and perfected the Merit system after working extensively with BellSouth employees over the past six years. "After meeting hundreds of employees, we realized how important it was to provide basic education and 401(k) help. What we found is that 90% of the employees we met with desperately needed help understanding the basics of their retirement benefits. And almost all employees wanted face-to-face personal help when it came to managing their 401(k)."

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