

CULTURE

A wise man once said, *“with the right culture, an organization can move mountains... with the wrong culture, it can't hold a meeting...”*

I think all would agree that creating a constructive **Culture** is important to any organization's success. In the financial services industry where advisors are largely commission-based, the turnover rate is high, and success will take everything one can muster, one could argue that **Culture** is paramount to the organization's success. That said, in financial services, where does a great **Culture** come from?

Thus far, we have addressed **Contract** and **Training**. The third factor in building a successful financial professional is the **Culture** and/or environment they affiliate with. Let's first take a look at what leads to a horrible **Culture**. Under **Contract** we defined **Compensation, Costs, and Client Data**. Under **Training** we looked at sales tactics and lack of education as the status quo. A horrible **Culture** can happen when advisors join an organization where they are unfairly compensated, they are over-expensed, and they find out that they do not own their **Client Data**. All the while, they are not being properly **Trained** and challenged to learn anything of value. Would you want to be a part of that **Culture**?

Over time, in this environment, advisors can get frustrated. Typically, they have not been given any additional resources, **Training**, or **Content**, that benefits their growth and the growth of their clients. In many cases, as time passes, resources are taken away from the advisor or the advisor is “charged” more money to use company resources. If the advisor wants additional training or education, they may be forced to pay for it. Eventually, advisors “wake up”. Five to ten years into their careers, advisors often come to realize that they are not happy. They realize that their company model of financial services is just sales... then it hits them. The financial advisor, while looking for a way out, learns that all the **Compensation and Client Data** belongs to the firm and/or manager. The advisor does not own their “book of business”. To make matters worse, the firm learns that if they cut the advisor's **Compensation**, the firm can make more money. Furthermore, if the advisor quits, the firm “wins” by keeping the **Compensation** (trails/renewals) and the **Client Data**. This could make the advisor feel trapped. The phrase I hear far too often is, “I want to leave, but if I do, I have to start all over again... I would lose everything”. Now ask yourself, what type of **Culture** would this create?

After years of recruiting, training, and coaching financial services professionals, I have come to believe that many are not financial advisors at all. Though it is no fault of their own, they have been recruited into a system that benefits the financial institution far more than it benefits the advisor and the client. Now, while I must believe that there are good people in

tough situations, most financial professionals come to realize that they are simply the sales arm of their institution or firm, and they act accordingly. If the advisor is trapped and cannot leave because they have no ownership of their client data, then the only source of reconciliation for the sales arm is often a detriment to the client. Let me explain.

Large financial institutions continue to cut the commissions the advisors (salespeople) earn on their “grid”. Remember, an advisor at a large bank or brokerage house may charge a client 1% on \$1,000,000 which equates to \$10,000 in “wrap fees” annually. The \$10,000 “stops off” at the institutions’ bank accounts and then a percentage of that \$10,000 is paid to the advisor. If 40% is paid to the advisor, the advisor makes \$4,000. Conversely, the institution keeps 60% or \$6,000. More than ever before, institutions are reducing the percentage paid to the advisor and putting more in their pocket. Therefore, if the advisor wants to earn more income, they must bring on more clients or charge each of their clients more in **Fees**... or both. In the example above, 1% in **Fees** on \$1,000,000 can generate \$10,000 in revenue for the institution and at “40% on the grid” then \$4,000 is the compensation for the advisor. If the institution lowers the compensation from “40% to 20% on the grid” then the advisor would have to charge this client 2% to make the same \$4,000 in compensation. This means \$20,000 will come out of the **clients’** account instead of \$10,000. Think about that, for an advisor in this model to make more money, more money will have to be taken from the client and more would be given to the financial institution. Remember, if the advisor/salesperson leaves the financial institution frustrated about the compensation changes, he or she could lose all their clients, residual **Compensation, and Client Data**.

Most advisors and clients would agree that this type of environment and **Culture** is not something you aim to be a part of. In fact, if you truly are an advisor acting in the client’s best interest, you should learn to recognize this possible outcome and avoid it. Clients reading this paper should ask, what could happen to them, their accounts, and personal data in this type of environment?

Ok, so as an aspiring advisor, what should I aim to be a part of? An aspiring financial professional or advisor looking for a fresh start should look for a firm that offers the right **Contract** with the right **Training**. When you have both, only then can you be part of an incredible **Culture**. When financial services professionals understand that they can, and do, own their **Client Data**, accountability between the advisor and the broker dealer/insurance company is created. Furthermore, with ownership of your client data, if there is a compensation change that comes down from an organization you affiliate with, you could change your affiliation without jeopardizing your clients. Also, with ownership, an advisor may come to realize that he or she is building something special and that the “book of business” or **Client Data** has real value. This level of ownership creates pride and dignity in the financial services industry between the advisor and client. The right **Contract** and **Training** can fill a firm

with advisors planning for generations without the impediment of corporate bureaucracy. Again, the wrong **Contract** can fill a firm with advisors looking to make as much money as possible before “things change again”.

Now, the right **Training and Culture**. I believe people in general want to be **Intellectually Stimulated**. **Intellectual Stimulation** comes in many forms, but learning new strategies, challenging the status quo, and teaching your mind to problem solve can lead to a stimulation of the mind that hopefully creates new and exciting outcomes. In financial services, **Intellectual Stimulation**, and a healthy skepticism of the status quo can lead to greater satisfaction for advisors looking to be better than the current “financial sales” industry. As important, an advisor’s **Intellectual Stimulation** can lead to more success for their clients. Real financial advisors will always take more pride in their education, growth, and development than corporate sales tactics. When the financial services industry focuses on the training and development of advisors and not the “sales cycle”, it leads to more success and satisfaction for the industry’s advisors and their clients. An environment filled with **Intellectually Stimulated** advisors thinking of every possible way to help and benefit their clients, is a **Culture** that I would want to be a part of. It is an environment that your clients would want to be a part of.

Ultimately, when it comes to **Culture**... you have a choice. When looking for a financial services firm to be a part of, remember that this is also the firm you intend to make your friends, your family, and your community. Do your best to investigate. Do not let a recruiter tell you about their great **Culture**. Ask- what does the **Contract** look like? Then ask, what does the **Training** program look like? Remember, without the right **Contract** and **Training**, the right Culture is impossible.

Can you have it all, **Contract, Training, and Culture**? You better believe it!