

## How Super OSJs Bring Innovation to Broker-Dealers



In an article published in the January 2006 issue of *Investment Advisor Magazine*, I wrote about how a Producer Group can extend the reach and profitability of a rep's practice. In the past two years, we've seen exciting new value propositions coming from these producer groups.

For those not familiar with producer groups, they are a large grouping of financial advisors (also called Super OSJs) that joins together with either a single OSJ (Officer of Supervisory Jurisdiction) or multiple OSJs within the group, with all advisors in the group tied to a single broker-dealer. In my 2006 article, I pointed out that when advisors join together they reap benefits beyond what they can get from the broker dealer alone:

- Scale that will bring more to the group than what they could get individually (better payouts, lower ticket charges etc.)
- Networking and friendships with like-minded advisors (Independent, but not alone)
- Assistance in making inroads into specific marketing niches to help them grow their book

Today, broker-dealer partners are increasingly recognizing the added value of producer groups and are

actively supporting their growth. Here are a few producer group examples that bring a new dynamic to the independent broker dealer channel.

### **Benefit 1: New Revenue Streams for Advisors**

Reps generally think of their payout in terms of 85% to 90%, so imagine reaching the 120% payout level! One particular producer group works toward accomplishing this by having unique outside business activities, then sharing the profits from these endeavors among the group members (they refer to them as revenue silos).

This group has created an Endowment Strategies Fund, a Co-Fiduciary 401K and assembled an RIA with \$580 million under management. The super OSJ of this group says that while the rest of the industry is "fretting about the DOL proposal," their group instead created a Fiduciary IRA with over 12,800 small IRA accounts with \$500 million. "The scale is there to create profitable, client-centric offerings while sharing both the expertise and the profits" with all the members of the group, the super OSJ says.

To complete their value proposition, this group also offers equity participation so members have ownership in the group. What I find appealing about this group is that they are thinking like a broker-dealer and expanding revenue sources. However, unlike broker-dealers, they share the additional income with everyone in the group.

### **Benefit 2: Using Social Media for Retiring Clients**

To set themselves apart, another producer group developed a unique proprietary program implemented through social media that focuses on the three phases of retirement (Active–Slowing Down–Inactive). The group runs geographical and industry campaign ads on various social media outlets. Advisors are fully trained and licensed on the program, with the goal of being the only source the new clients turn to for their retirement plans.

Employers love this tool and will frequently offer you as the exclusive source for their retiring employees because they feel assured that a single source will best meet their employees' needs. Here's what differentiates this platform: the producer group does all the legwork in generating the leads, setting up the advisor to follow up with the client and complete the retirement planning process with them. A \$1,500 investment into a campaign will typically generate 50-75 potential baby boomer clients.

### **Benefit 3: Two Prong Marketing**

There are numerous producer groups in the marketplace that have marketing programs geared toward specific marketing niches, for example, telecommunication workers. These programs help advisors by providing proprietary seminars developed by the producer group. They provide assistance in setting up seminars or provide access to potential clients that the advisor might otherwise have difficulty reaching.

The Social Media Retirement Clients producer group, as well as the Two Prong Marketing group, is different from marketing assistance producer groups because they do all the work in generating new clients for the advisors in their group:

- They do the data mining
- They set up the seminars or workshops and fill the seats
- They provide the experts (real experts, not wholesalers) to speak to the seminar or workshop group
- They bring you interested candidates with 401(k) rollover or estate planning needs

**401(k) New Client Program**—The 401(k) program is targeted at specific company opportunities nationwide. For example, the current AT&T EPO offer is huge, with thousands of people being offered an early retirement package. Under this super-OSJ program, the producer group calls and e-mails those getting forced into retirement, then schedules the workshops. The workshop presentations are designed to fill seats, which then generate interest in face-to-face meetings where the advisor converts these interested prospects into clients.

**High Net Worth Program**—For those who have more sophisticated skills in estate planning and wealth management, this producer group also has a program geared towards bringing you a steady stream of clientele with net worth over \$5 million.

The group provides training, sales literature and new client leads. This program is done through a series of workshops and requires the advisor to have significant experience in the field of estate and wealth transfer. The group's large case expertise helps advisors land wealthy clientele, who are then often generating \$800,000 to \$1,000,000 in GDC by running three to four campaigns per year.

### **Benefit 4: Building Advisors' Books More Quickly**

The greatest value these new-client generation programs bring is time savings and a shortcut to building your book quickly. In the years we've been recruiting reps, one thing rings true: many advisors lack either the ability, social skills or the desire to do the marketing process effectively and prefer to focus on the investing and planning side of the business. These much-needed programs from producer groups fill an enormous need in our industry—they bring new clients to advisors so you can focus on what you desire and do best: invest, consult and plan.

It's refreshing to see unique value propositions coming from a bottom-up perspective (producer groups), particularly since broker-dealer creativity is frequently sucked dry with heavy, burdensome regulation that preoccupies their attention, time and money. In a conversation with the president of a larger broker-dealer, I brought up the topic of the lack of BD innovation. He chuckled and responded, "We are in one of the most regulated industries, if not the most regulated industry, so you're simply not going to see innovation from broker-dealers."

Thankfully, these innovative producer groups are bringing a breath of fresh air to our stifled and heavy-handed regulatory environment.

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