

COVER STORY

# Who Are the DC Industry's Top Wholesalers — and Why?

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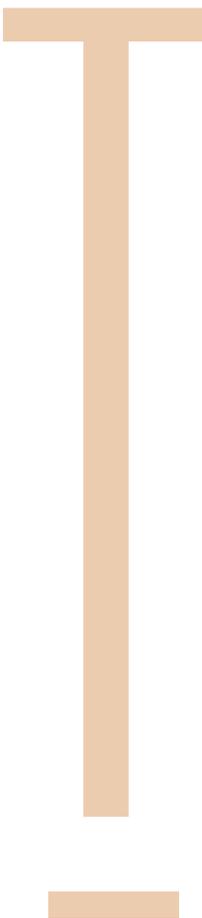
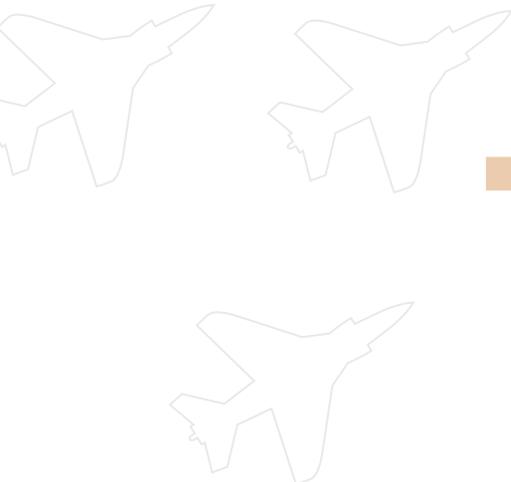
# Winners





PLAN ADVISOR

WHOLESAALER



**HERE ARE TONS OF BIG-NAME RECORD KEEPERS AND DCIO FIRMS — MORE THAN 40 NATIONAL FIRMS IN EACH CATEGORY. BUT WHAT DO THEY MEAN TO A PLAN ADVISOR? IN REALITY, THEY MEAN ALMOST NOTHING WITHOUT THE LOCAL WHOLESALER.**

More than brand, technology, service, products or even Morningstar ratings, a plan advisor usually decides to work with a provider — especially a DCIO — based primarily on the quality of their local wholesaler (assuming, of course, that the provider’s service and products meet a minimal standard of excellence). Doubt that? Then why is there such disparity in sales within the same provider for the top and bottom 20% of its sales force?

So we set out to identify what separates the truly elite DC wholesalers — and then back it up with the first-ever list of the top 75 DC wholesalers.

Though they’re certainly not underpaid, DC wholesalers are under-recognized as the group charged with helping plan advisors build, manage and grow their DC business. And rather than just write about them in the abstract, we thought it was more powerful to name the top 75 based on voting by NAPA members. We expect our top 75 list to become an annual event.

Before we delve into what separates the truly great wholesalers from the rest of the crowd, let’s review what they do — which can be different depending on the markets they serve and whether they represent a record keeper or a DCIO. There are more than 1,000 record keeper wholesalers, with many small-market firms employing more than 50 externals. (In contrast, DCIOs rarely top 10.)

Small-market record keepers need to generate volume, which means they deal with a lot of blind squirrels; mid-market record keeping and DCIO wholesalers have the luxury of focusing primarily on more experienced plan advisors. There are some externals that deal with either broker dealers or record platforms; while they’re important, they were not considered in the top 75 list nor are they profiled in this article.

Record keeping wholesalers are delivering a more inherently important and complex product than DCIOs. While this may lead some to the conclusion that they are more skilled, in fact DCIO wholesalers tend to be more experienced. Even though there are only about 500 of them, two-thirds of NAPA’s Top 75 DC Wholesalers List is made up of DCIO professionals. Why? Though funds are important components, selecting them is relatively simple via spreadsheets and third-party services that analyze and rate the funds using an ever-growing list of criteria.

So while record keeper wholesalers have to explain the various nuances of their products and services (which are difficult to spreadsheet and rate) as well as hold the advisor’s hand through a transition or when something invariably goes wrong, some people may ask what role the DCIO wholesaler plays. Beyond funds and facts, the DCIO wholesaler has to add value and help an advisor to build, grow and manage their business. One theme that we heard from advisors and industry professionals was that the worst thing a DCIO wholesaler could do was focus exclusively on their product (investments). We did not hear anything bad about record keepers.

According to the 2013 DCP advisor satisfaction study with record keepers conducted by the Boston Research Group, though there are a variety of factors when it comes to overall advisor satisfaction with providers, “...the wholesaler emerges as playing a dominant role.” The specific behaviors that keep the advisor happy include:

- Accessibility and responsiveness (just 60% of advisors are very satisfied)
- Easy to work with (55% are very satisfied)
- Expertise and thought leadership (47% are very satisfied)

Over and over, those themes resonated with the advisors we interviewed — along with others that turn them off.

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## Values and Relationships

Beyond service and knowledge, advisors need to be able to trust their wholesaler as partners. Though a strong work ethic is important, advisors need to know that they can rely on the wholesalers' word. This means more than just being on time with deliverables; more importantly, it means not lying and keeping their promise. That translates into integrity. In other words, wholesalers have to be the consummate "Wingmen" — advisors need to know they have their back.

Paula Hendrickson, with First Western, an RIA in Denver, cited an example of the opposite: "During a finals presentation, the wholesaler indicated that they could assume much of the advisory functions and could work with any advisory firm," she said. Hendrickson has another pet peeve: When she is referred to as a broker, implying that she is pushing products — which may be the hope of a wholesaler used to dealing with blind squirrels.

Less obvious is that the wholesaler understands the advisor's business based on their level of experience, markets served and even client profile. Troy Hammond, CEO of Pensionmark, based in Santa Monica, explains: "Rather than a cookie-cutter approach, the good wholesaler provides a solution unique to me and my business." Getting to know an advisor's business is the key to building a relationship. That relationship is instantly killed if, according to TPA-turned-advisor Hugo Lopez of Seaside Financial, an RIA in Carlsbad, CA, the wholesaler "doesn't listen and is focused simply on driving the sales." Gary Kleinschmidt, head of DCIO sales at Legg Mason, agrees. "Hardcore sales pitches rarely if ever work," he notes. "Only after delivering value and thought leadership should the wholesaler pivot to funds, which should be short and thematic."

## Time Management

Frequently mentioned as a turn-off: wholesalers who do not respect the advisor's time. Says Jim Pupillo of Hightower Arizona, this could include "being bombarded with emails and phone calls or thinking that taking me out to lunch or dinner is all they need to do."

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Sam Brandwein, a wire-house advisor with Morgan Stanley in South Florida, says he gets annoyed "when the wholesaler does not respect my time by calling and starts pitching products immediately. Sales 101 includes asking whether this is a good time to speak." That theme was echoed by George Revoir, who acts as gatekeeper for John Hancock's record keeping division for funds. "It's not just about being considerate of my time," Revoir notes, "it's about delivering what was promised on time. Along with keeping promises, good partners value my time and have a plan for us to work together, benefitting both of us."

## Partnership and Friendship

Another subject that many advisors emphasize is the concept of feeling that the wholesaler is not just a business partner but also a friend. This translates into an advisor believing that their partner really cares about them. "I realize that wholesalers need me to sell their products," Gerald Wernette of Rehmann Financial explains, "but I am more likely to give business to a wholesaler who focuses on how they can help me run my practice." While the world has changed, there were times when, according to Wernette, "Wholesalers from certain fund companies didn't even show up, arrogantly thinking that I needed them more than they needed me." So wholesalers have to walk that fine line of not wasting advisors' time while showing up enough to form partnerships and relationships.

Wernette was impressed with one wholesaler from a large fund company that rarely visited. The wholesaler "took the time to learn about me and my staff, getting personal and becoming a friend," she recalls. "I'll meet with that person anytime."

## Knowledge and Thought Leadership

Not only do wholesalers have to understand the industry, ERISA rules, funds and record keeping platforms, they also need to deliver information relevant to that advisor based on their business and market. George Revoir of John Hancock is willing to spend time with wholesalers "who know my business and the competition providing insights I can use," he says. And the stakes are getting higher, Legg Mason's Kleinschmidt notes: "The quality of wholesalers is getting better and better, driven in part by DCIOs who have to deliver more value."

According to the Boston Research Group's Warren Cormier, "Thought leadership is not just providing information. Many behavioral economists define it as providing information that makes one think differently about a familiar topic *and* changes one's behavior." Most advisors work in a ping pong ball, with little access to ideas that can change the industry. Bringing that wisdom to an advisor will endear a wholesaler to that advisor, especially if it's in a form that they can easily deliver to their clients — whether it's a white paper, a report for a client or educational seminars.

## Practice Management and Problem Resolution

Beyond third-party tools and services — which can be valuable but are getting very tired — wholesalers have to help advisors to manage their business and client relationships. This starts with understanding their business. First Western's Hendrickson values wholesalers "who act as sounding boards when we need a resource, especially when they



— | DC TOP INDUSTRY WHOLESALERS | —

Omar Aridi	JP Morgan (DCIO)
Michael Barry	Great West (RK)
Jamie Bentley	Pimco (DCIO)
Brian Billmeier	John Hancock (RK)
Will Blackall	BNY Mellon (DCIO)
Anthony Bologna	Ascensus (RK)
Brian Bouchard	Thornburg (DCIO)
Booth Boughan	Goldman Sachs (DCIO)
Shaun Bromley	AllianceBernstein (DCIO)
Dave Bryant	MFS (DCIO)
James Cahill	Fidelity (RK)
William Calloway	Newport (RK)
Peter Campagna	BlackRock (DCIO)
Bill Cartwright	John Hancock (RK)
Dan Cavaretta	Nationwide (RK)
Murray Cleaner	MFS (DCIO)
Rick Cortellessa	Goldman Sachs (DCIO)
Robert Cruz	BlackRock (DCIO)
Matthew Digan	Legg Mason (DCIO)
Laura Durkin	Nationwide (RK)
Kevin Eknaian	American Century (DCIO)
Joe Elecion	Allianz (DCIO)
Wendell Epps	Principal (RK)
Gene Etzig	Transamerica (RK)
Joe Forlines	Columbia (DCIO)
Eric Fox	Transamerica (RK)
David Frost	OneAmerica/AUL (RK)
David Giannini	Thornburg (DCIO)
Gary Giffen	Franklin Templeton (DCIO)
Matthew Grandonico	Prudential (RK)
Jason Grantz	Unified Trust (RK)
Mitch Haber	OneAmerica/AUL (RK)
Aaron Hassinger	Fidelity (DCIO)
Ami Hindia	Fidelity (DCIO)
Travis Hughes	JP Morgan (DCIO)
Cheney Hunt	Great West (RK)
Brian Jessen	Invesco (DCIO)



— DC TOP INDUSTRY WHOLESALERS —

John Kutz	Legg Mason (DCIO)
Perry Lazarus	MassMutual (RK)
Benjamin Leger	Fidelity (DCIO)
Lia Lundgren	BNY Mellon (DCIO)
Lathan Mafferty	JP Morgan (DCIO)
Aylmer Magill	John Hancock (DCIO)
Chris Mango	BlackRock (DCIO)
Mike Manosh	Fidelity (DCIO)
Anne Marie Sutton	Pimco (DCIO)
Paul Marino	Federated (DCIO)
John May	Transamerica (RK)
David McClafferty	Great West (RK)
Ryan McComas	Goldman Sachs (DCIO)
Bart Miller	Legg Mason (DCIO)
Chris Monachino	American Century (DCIO)
Matt Moran	Principal (DCIO)
Kevin Morgan	JP Morgan (DCIO)
Mike Moschetta	Neuberger & Berman (DCIO)
Kevin Murphy	Franklin Templeton (DCIO)
Keith Neal	MFS (DCIO)
Steve Owen	Touchstone (DCIO)
Jeffrey Parguirigan	Columbia (DCIO)
Gordon Perry	Fidelity (DCIO)
Jeff Petersen	Franklin Templeton (DCIO)
Jimmy Polito	BNY Mellon (DCIO)
Greg Poplarski	Allianz (DCIO)
Charles Reichelt	John Hancock (RK)
Eric Schneeman	Securian (RK)
Chris Sleggs	BNY Mellon (DCIO)
Steve Smith	T Rowe (RK)
Michael Staples	Oppenheimer (DCIO)
Ryan Tiernan	Columbia (DCIO)
Art Villar	BlackRock (DCIO)
Jeffrey Weaver	Allianz (DCIO)
Colin West	Transamerica (RK)
Eben Wheeler	BlackRock (DCIO)
Chris Wolfe	Standard (RK)
Paul Yossem	Nationwide (RK)

## ‘BAD PRACTICES’

- Being too pushing and “salesy”
- Not respecting the advisor’s time
- Not calling on them and acting arrogantly
- Pushing product
- Selling themselves at the expense of advisor
- Not adding value thinking that their funds or products are enough
- Not delivering as promised on time
- Not understanding the advisor’s business
- Not understanding their own product or the industry

understand our strengths and weaknesses. They bring us thought leadership and help with exposure to the market acting as a business partner and confident.” Though more and more advisors are forming and joining teams (see feature article on team building on page 54), most are still on their own and don’t have peers to speak with. Wholesalers can help — in fact, some even help advisors create business plans.

Going above and beyond, a Legg Mason wholesaler worked with their advisor partner to create a client advisory board that not only solidified business with those clients but also acted as a ready source of references. Morgan Stanley’s Sam Brandwein values “wholesalers who put me in touch with less experienced advisors who might have an opportunity.” And Wernette of Rehmann Financial appreciates wholesalers that partner with his plan sponsor educational programs though financial support as well as intellectual capital.

Problem resolution is another common theme — especially when the advisor is having a hard time getting the attention of the home office. Being that “squeaky wheel” when issues arise helps advisors get back to more productive work that generates revenue. Lopez of Seaside Financial values “wholesalers who help with transition being there through the entire process.”

Wholesalers that go above and beyond help the advisor not just with their plans but with other plans they may not even be working on. They work well with the competition, focusing on what’s best for the advisor even though it may not put money in their pocket immediately. Tony Franchimone, a principal with RBG in San Diego, notes: “Great wholesalers help me improve client relationships and resolve problems quickly. One provider even made their portfolio manager available for a client meeting when their fund was not performing well.”

### ‘Bad Practices’

As opposed to “best” practices, “bad” practices will put and keep a wholesaler in the penalty box — hurting the provider even if their products, services and funds are top performers. See the sidebar above for a list of these “bad practices.”

### The Future of Wholesaling

So what does the future hold? While margins are getting squeezed for DCIOs and (especially) record keepers, there’s little thought of cutting back on the very expensive distribution networks of external wholesalers. And while some wholesalers are overpaid, it’s not based on the amount of money they make — low-cost wholesalers or less experienced ones may not be

as good a value as those who are paid the most. With record keeping considered a commodity and DCIOs fighting for a piece of an ever-shrinking pie — and with TDFs and passive strategies dominating — having a top-notch wholesaling staff becomes even more important.

Though hybrid wholesaling can officially be considered a failed experiment, combining technology, telesales and in-person meetings will only grow and be more important. Analyzing databases to determine which advisors bear the most fruit, as well as which ones are most likely to sell their products and funds, will also be essential to winning an escalating war in a deflationary environment. Brightscope is having great success charging mid-six-figures to provide that analyses, not just to DCIOs but also to record keepers and broker dealers.

The winners will deploy their resources more wisely (rather than using a shotgun approach) depending on the markets serviced, products sold and profile of the advisor, as well as the broker dealer network. For example, CAPTRUST, which boasts almost \$100 billion in DC AUA, tells providers not to waste too much time or resources on visiting each of their 100 advisors. Employing a “ton or none” strategy with provider partners, CAPTRUST’s CEO Fielding Miller suggests that it makes more sense to wholesale to the home office which will have a much greater effect on which products are sold. As other teams like RBG, Sheridan Road and Pensionmark evolve, they will copy CAPTRUST’s model (if they have not done so already), as will the 100+ teams that are close to or over \$10 billion. And the 2,000+ elite advisors with more than \$100 million AUA will need not only different wholesaling methods than the blind squirrels, but a much more sophisticated wholesaler.

Cultivating and rewarding the best wholesalers and their best practices will help plan advisors to be able to better run their businesses while providing better tools, services and investments to clients — thereby improving participant outcomes. But recognizing the leaders is also important. 