



DC TOP INDUSTRY WHOLESALERS

The Future of DC Wholesaling

BY FRED BARSTEIN

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sk most retirement industry professionals about the future of their industry and you usually get a long silence followed by halting and incomplete responses. So instead, we set out to pose that question to consultants and people who are either re-entering the market or have been out of the market for awhile — and got much more thoughtful responses.

The recurring theme echoed by Hugh O'Toole and Art Creel, former heads of sales at MassMutual and John Hancock respectively, is that, “the highest paid wholesalers are not the ones who are overpaid.” That distinction belongs to the mediocre wholesalers hiding behind murky metrics, where activity is often confused for results.

At a high level, though change is not the hallmark of the financial services industry, change is coming — but not in the form of fewer wholesalers. In other words, the demise of external wholesalers is greatly exaggerated.

So where will we see the most innovation in DC wholesaling?

Technology

No, there will not be wholesaler avatars appearing via hologram. The integration has and will be more fundamental, enabling more predictive selling, better client information and more revealing wholesaler metrics. “Data is changing the landscape,” claims longtime industry consultant Mary Anne Doggett of Interactive Communications, who actually focuses on wholesaling. Doggett explains: “More data means more personalized information filtered to meet the needs of a client. It will also mean that there will be more self-service buying without the need for a wholesaler to interact. Data gathered from more marketing will also be used to predict when an advisor is likely to buy. Wholesalers drip, hovering to be present when the advisor buys, which is very expensive. Plus younger advisors prefer more electronic communication.” The challenge will be changing the habits of older advisors.

Data and technology will also be used to measure the effectiveness of wholesalers in an industry that, many experts we spoke to noted, measures productivity by activity. BrightScope has built a brilliant business not so much on its ratings of DC plans as much as on the sale of data to providers to help them deploy their expensive hordes of wholesalers more effectively. Those data will continue to be a part of the solution that predict when an advisor is likely to buy based on what they have bought in the past.

“Not only will wholesalers amplify themselves through social media and video conferencing,” says Art Creel, “it will highlight their effectiveness, which will result in more ‘star’ wholesalers and make it more difficult for mediocre ones to hide.”

Marketing

Tom Modestino of Ignites Research sees providers, especially DCIOs, hiring more marketing and product people after a surge in the number of external wholesalers. Though marketing and product people may be the first to go when the market drops, visionary firms will see the incredible partnership between highly effective external and internal wholesalers and impactful marketing. Doggett notes, “Smart providers will use webcasts, for example, watching for how many times an advisor attends with

“Slick doesn’t work anymore. Good presenters are not necessarily good engagers. Presenting means selling; listening and engaging translates into adding value.”

Mary Anne Doggett, Interactive Communications

be holistic, combining web-based learning and face-to-face meetings,” notes Kelly Michel, the new head of retirement for AIG’s Advisor Group. “They cannot be sales- or product-oriented and should place an emphasis on current trends like new regs and laws,” she says.

You can learn a lot about what an advisor is interested in by the training they choose. And advisors are more likely to tell you more themselves after you add value — not after a sale pitch, which is becoming less and less effective. Lamenting the fact that “the industry is afraid to test,” Doggett has learned that, “providers underestimate the skill set needed by wholesalers in the new world” — intimating that changing the way they train their wholesalers and the ways they interact with advisors and marketing departments will take time.



Top 10 DCIO Wingmen

Murray Cleaner	MFS Investment Management Company
Mark Conroy	Legg Mason
Matt Kasa	Franklin Templeton
Greg Koleno	American Century Investments
Todd Matlack	Invesco
Brian Munn	American Century Investments
Keith Neal	MFS Investment Management Company
Jeff Petersen	Franklin Templeton
Lloyd Silk	Invesco
Steve White	Federated Investors

Note: Wingmen who received the most votes among DCIO wholesalers.

a button that allows the advisor to ask for help. Access to advisors is more difficult with voicemail and email — providers need to ask, “how do we know when advisors want to meet and why?”

Training is another effective means to engage and learn more about advisors. Doggett advises that, “training should be simple and fast, with smaller modules on specific topics,” which will provide insights into what resonates with an advisor. She warns, “Slick doesn’t work anymore. Good presenters are not necessarily good engagers. Presenting means selling; listening and engaging translates into adding value.”

Advisor education and training “needs to

Value Add

There is so much value add in the market these days, especially for DCIOs, one might wonder if they are in the practice management business or the money management business. But most providers have lost sight of the forest for the trees. Advisors have come to rely on the many value add tools and services from providers; but the question that providers have to ask is whether they have something — not to show up “naked” or whether their value add services are making an impact on selling new business and retaining clients. Most important is the delivery



Top 10 Record Keeper Wingmen

Gerry Alena	John Hancock
Doug Allen	Nationwide Retirement Plans
Mark Bransford	The Standard
Christopher Felago	VOYA
Patrick Forde	Empower-Retirement
Morris Glazer	Transamerica
Jason Grantz	Unified Trust Company
Danny Kling	Transamerica
Alison Smith	Principal Financial Group
Ted Smith	Ascensus

Note: Wingmen who received the most votes among record keeper wholesalers.

mechanism in the form of a wholesaler who can help advisors implement value add tools and services.

The very best value add programs have three characteristics:

1. They resonate with the provider's brand.
2. They can be implemented easily, affecting an advisor's bottom line or saving them time.
3. They are unique to that provider.

Arguably, only two providers meet these requirements: Allianz, with Prof. Shlomo Benartzi's Center for Behavioral Finance, which has rocked the DC world; and Columbia, with John Carl's Retirement Learning Center, where more than 500 advisors call in to get ERISA help as well as Carl's insights into regulatory trends. The firms leverage the personalities of Carl and Benartzi to provide well-respected speakers at industry conferences and gatherings. It's also not a coincidence that these programs may be among the most expensive in the market — but remember, fees in the absence of value are always high.

So what does the future look like? In the past, says Doggett, "providers made their value add to as many advisors as possible. In the future, the tools will be more segmented, focused on practice management. Providers need to ask which advisors are not doing business with them and how can they reach those advisors." Michel agrees, lamenting that, "tool providers are focused on the upper-level advisors only." She is keen to having wholesalers help her advisors develop a strategic business

plan since most advisors got into the DC business by accident and have never looked up. Just as we have to personalize and customize services for the needs of each

Huge margins had created a lot of fat, which is changing with industry consolidation and more accurate metrics."

Hugh O'Toole

participant, value add tools should meet the unique needs of an advisor.

This brings us back to data. If wholesalers know more about who is buying from them and who is not, as well as the nature of their practice and which marketing messages resonate, they will be more likely to show up with tools that resonate with that advisor rather than a one-size-fits-all solution.

Personnel

Remember when hybrid wholesaling was all the rage, with many predicting much smaller external sales forces? That ship has sailed, but the use of internal wholesalers

is increasing, according to Ignites research. Ignites' Modestino sees DCIOs especially hiring more internal wholesalers. "Internal wholesaling is no longer just a stepping stone to becoming an external, it's becoming a career," he declares. "Though there's a gap in pay, some people are not willing to sacrifice their lifestyle. The ratio will change for DCIOs with a greater percentage of internal wholesalers." Modestino also has noticed that more key accounts people are selling, partnering with their external partners who are getting more involved with servicing clients.

Tier 1 DCIOs have a distinct advantage, with more resources to hire a fully staffed group that includes the right mix of externals, internals, marketing, product and strategy people who have access to cutting edge technology and marketing. Clearly, the consolidation bug has not yet hit the DCIO ranks as it has with record keepers. There is hope for new DCIOs in the form of asset allocators as well as alternative investments spurred by private equity firms and hedge firms greedily eying the large and growing pool of DC and IRA assets.

Neither Creel nor O'Toole, longtime industry vets who headed up large DC sales forces, see a shift away from face-to-face selling. For O'Toole, "It's still basically a milk run. But reps will work more from home, leveraging supporting home office infrastructure. Huge margins had created a lot of fat, which is changing with industry consolidation and more accurate metrics." O'Toole predicts that wholesalers will become more institutional, aligning their goals and compensation with those of their employer. This echoes a theme that Modestino sees in compensation structures, which are becoming more variable.

Perhaps O'Toole is speaking from experience — he inherited a Hartford sales forces whose compensation was thought to be excessive. But some of the most effective Hartford wholesalers continued to command significant pay because MassMutual was still able to make money with them. Institutional wholesalers are not just concerned with short-term compensation, promising anything just to make the sale even if the provider cannot service the plan or make money on it.

Creel believes in the star power of the



DC TOP INDUSTRY WHOLESALERS

NAPA's 2015 100 Top DC Wholesalers — the “Wingmen” — were selected by a process overseen by a blue ribbon panel of advisors. That process was based on voting by registered NAPA Net users and NAPA members on a pool of nominees submitted by providers, as well as write-in candidates, all of whom are associated with a 2015 NAPA Firm Partner.

This year we've added two new wrinkles: lists of the “Top 10 Record Keeper Wingmen” (see page 24) and the “Top 10 DCIO Wingmen” (see page 23), which highlight Wingmen receiving the most popular votes in those two categories.

	Jeff Abelli	Pioneer
	Gerry Alena	John Hancock
	Doug Allen	Nationwide Retirement Plans
	Staci Baker	JP Morgan
	Pete Barron	MFS Investment Management Company
	Matt Beaulieu	Franklin Templeton
	Jamie Bentley	PIMCO
	Rhea Berglund	Oppenheimer Funds
	William Blackall	BNY Mellon Asset Management
	Brian Blair	Eaton Vance
	Jon Blaze	Thornburg Investment Management
	Andre Boorady	Ascensus
	Brian Bouchard	Thornburg Investment Management
	Sally Bowen	Nationwide Retirement Plans
	Mark Bransford	The Standard
	John Briere	VOYA
	Tom Briggs	Transamerica
	Rachael Brumund	Transamerica
	Niel Cabrera	MassMutual
	Peter Campagna	BlackRock
	Chris Castro	Transamerica
	Murray Cleaner	MFS Investment Management Company
	Steve Cohen	Federated Investors
	Mark Conroy	Legg Mason
	Rick Cortellessa	Goldman Sachs Asset Management

 TOP 10 DCIO WINGMEN

 TOP 10 RK WINGMEN

“Now more than ever, true sales professionals who understand the industry, speak at peer-to-peer programs and work hard will be in demand — but it will be a struggle for the mediocre reps.”

Art Creel

very best wholesalers at the expense of the mediocre ones. There's a certain tendency for companies to keep "A" and "B" level workers and fire "C" level workers or below. But mediocre workers who produce and have longevity and relationships are hard to let go. So why get rid of them? Because they are occupying seats that could be filled by high performers or replaced by technology and internal wholesalers.

"Providers have to be more demanding in the hiring process, focusing on impactful wholesalers," Creel warns. "This doesn't mean that wholesalers are dinosaurs — now more than ever, true sales professionals who understand the industry, speak at peer-to-peer programs and work hard will be in demand — but it will be a struggle for the mediocre reps."

More than ever, the top wholesalers need to be seen as thought leaders, "helping advisors create and execute on a strategic business plan," explains AIG's Michel. "Current products are being commoditized. Wholesalers need to adapt these products to an advisor's practice, helping them to develop a strategic plan." Since wholesalers meet with hundreds of advisors, they have the unique opportunity to share what other advisors are doing to be successful.

With growing record keeper consolidation, DCIO wholesalers will be used not only to help advisors ferret out the survivors but also to identify which ones may be the right fit for an advisor and its clients. Especially for DCIOs, the wholesaler will

become more of a business consultant and mentor, which raises the stakes on the quality of the wholesaler, as well as their training and access to industry intel.

Industry Consolidation and Advisor Segmentation

There are nearly 50 national record keepers and more than 500 regional record keeping TPAs. That segment of the industry is quickly consolidating as the stakes get higher, like the airline industry did. So naturally, there will be fewer wholesalers, right? Maybe not. Even though there will be fewer record keepers — which might also affect the number of platform reps needed by DCIOs — the number of wholesalers might actually increase. Why?

The number of advisors that touch or focus on retirement, especially DC plans, is growing at an exponential rate. This is in response to a societal move away from dependence on both DB plans and the Social Security system, as well as dramatic increases in life expectancy. Before the recession there were 5,000 advisors with more than \$25 million in DC AUM and 50% of all active financial advisors were paid on a DC plan. Today, those numbers have swelled to 25,000 and 90%, driven in part by a booming post-recession stock market.

Plan advisors can be segmented into three groups:

1. Elite advisors and aggregators
2. Core advisors with more than \$25 million in DC AUM
3. Emerging advisors consisting of accommodators and blind squirrels

Most providers, especially record keepers, segment their sales forces based on plan size. Except that a vast majority of sales are not made directly to plan sponsors — they are made through advisors. Though the three advisor segments might focus on plans of different sizes, that business strategy may be changing as aggregators are looking to move down market, where margins are healthier, and also looking to leverage and systematize larger plans' best practices.

So how should providers respond? It's common today for record keepers to have separate sales forces for different markets. That strategy will continue. Aggregators and elite advisors who might have 25 or more record keeper relationships are looking to

winnow that number down to five or less that can service small, mid-sized and large plans. Broker dealers need their providers to service not just elite or core advisors; they need support for emerging advisors as well. And those providers that only focus on one or two segments may be a great disadvantage. "Most wholesalers are focused on core and elite advisors, but we need support for all segments, especially emerging advisors," notes AIG's Michel. "Without multiple segment support, the providers are of little value to us as we have to support all of our advisors." As a result, Michel expects to partner with fewer providers — even though as an independent BD she wants to accommodate her advisors by working with as many providers as possible.

A New Model?

Just as they changed the investing landscape with a focus on passive strategies and low fees, Vanguard now has its sights set on the advisor sold DC market, especially small and mid market plans, via its "Vanguard Plan Access" platform, which uses Ascensus as the record keeper. Since its 2012 launch, sales have doubled every year and, according to Senior Manager Todd Feder, Vanguard is ready to gear up their sales force after a three-year "pilot." Some might see Vanguard as anti-advisor — but that is not the case, says Feder. "Vanguard is about low cost, which comes from scale, which in turn is best achieved through sales by advisors who make multiple buys each year. In fact, sales through intermediaries are our fastest growing channel." So how does Vanguard plan to attack the advisor DC market — and can we learn anything from them?

"Restraint" is the key word for Vanguard, according to Feder, in the form of the size of their wholesaling force, the types of sales executives they hire and their relationships with home office broker dealers. Don't look for them to have an army of 50+ sales executives, and don't think they will be willing to write big

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DC TOP INDUSTRY WHOLESALERS

Katelyn Costello-Boone	Fidelity Investments
Robert Cruz	Allianz Global Investors Distributors
John D'Agostino	JP Morgan
Matt Digan	Legg Mason
Jim Dowling	Fidelity Investments
Gene Etzig	Transamerica
Ryan Fay	John Hancock
 Christopher Felago	VOYA
 Patrick Forde	Empower-Retirement
Michael Foy	Putnam Investments
David Frost	OneAmerica
Ed Fuentes	Empower-Retirement
Michele Giangrande	T. Rowe Price
Gary Giffen	Franklin Templeton
 Morris Glazer	Transamerica
 Jason Grantz	Unified Trust Company
Mitch Haber	OneAmerica
Lea Anna Hartman	Oppenheimer Funds
Aaron Hassinger	Fidelity Investments
Ami Hindia	Fidelity Investments
Cheney Hunt	Empower-Retirement
 Matt Kasa	Franklin Templeton
 Danny Kling	Transamerica
 Greg Koleno	American Century Investments
Steve Krauszer	Invesco

 TOP 10 DCIO WINGMEN

 TOP 10 RK WINGMEN



DC TOP INDUSTRY WHOLESALERS

John Kutz	Legg Mason
Bill Laplante	RidgeWorth Investments
Matt Leeper	American Funds
Ben Leger	Fidelity Investments
Lia Lundgren	BNY Mellon Asset Management
Kari Lusby	Nationwide Retirement Plans
Aylmer Magill	John Hancock
Cara Magliocco	Legg Mason
Lathan Mahaffey	JP Morgan
Sean Maher	Allianz Global Investors Distributors
Scott Maney	Invesco
Christian Mango	BlackRock
Mike Manosh	Fidelity Investments
David Marinofsky	Neuberger Berman
 Todd Matlack	Invesco
Kyle Milotte	Empower-Retirement
Dave Mitchell	Transamerica
Chris Monachino	American Century Investments
Kevin Morgan	JP Morgan
Michael Moschetta	Neuberger Berman
 Brian Munn	American Century Investments
Kevin Murphy	Franklin Templeton
Jay Natkow	Eagle Asset Management
 Keith Neal	MFS Investment Management Company
Elliot Pedrick	Pioneer

 TOP 10 DCIO WINGMEN

 TOP 10 RK WINGMEN



DC TOP INDUSTRY WHOLESALERS

Jeff Petersen	Franklin Templeton
Jimmy Polito	BNY Mellon Asset Management
Grep Poplarski	Allianz Global Investors Distributors
Corey Pride	Transamerica
Doug Reber	American Century Investments
Richard Schainker	Invesco
Lloyd Silk	Invesco
Chris Sleggs	BNY Mellon Asset Management
Alison Smith	Principal Financial Group
Ted Smith	Ascensus
Mike Staples	Oppenheimer Funds
Anne Marie Sutton	PIMCO
Nancy Tassiello	Legg Mason
Carrie Temkin	Legg Mason
Matt Tollison	RidgeWorth Investments
Andy Tyndall	MFS Investment Management Company
Bill Vassas	Nationwide Retirement Plans
Art Villar	BlackRock
Jeff Weaver	Allianz Global Investors Distributors
Chris Weekley	The Standard
Eben Wheeler	BlackRock
Steve White	Federated Investors
Jim Wojciak	Federated Investors
Paul Yossem	Nationwide Retirement Plans
MJ Zayac	Alliance Bernstein

TOP 10 DCIO WINGMEN

TOP 10 RK WINGMEN



checks to BDs to get access to their advisors. “Vanguard is looking for like-minded advisors,” says Feder. They would rather say no to an advisor representing a plan that is outside their parameters, which means they cannot service it properly. Pricing is based on the services offered, not the relationship with an advisor. Likewise, their wholesalers — whom they call “sales executives” — will see the world the same way that Vanguard does, which gets back to hiring the right people.

With a large base of participants and as one of the few providers whose research is respected, Vanguard is pursuing the concept of “advisor alpha,” showing that advisors can add as much as 3% to participants and are in a strong position to help some, not all, participants.

Conclusions

Change cannot be stopped for DC wholesaling, both for record keepers and DCIOs — though in different forms. Tech-

“Most wholesalers are focused on core and elite advisors, but we need support for all segments, especially emerging advisors.”

Kelly Michel, AIG's Advisor Group

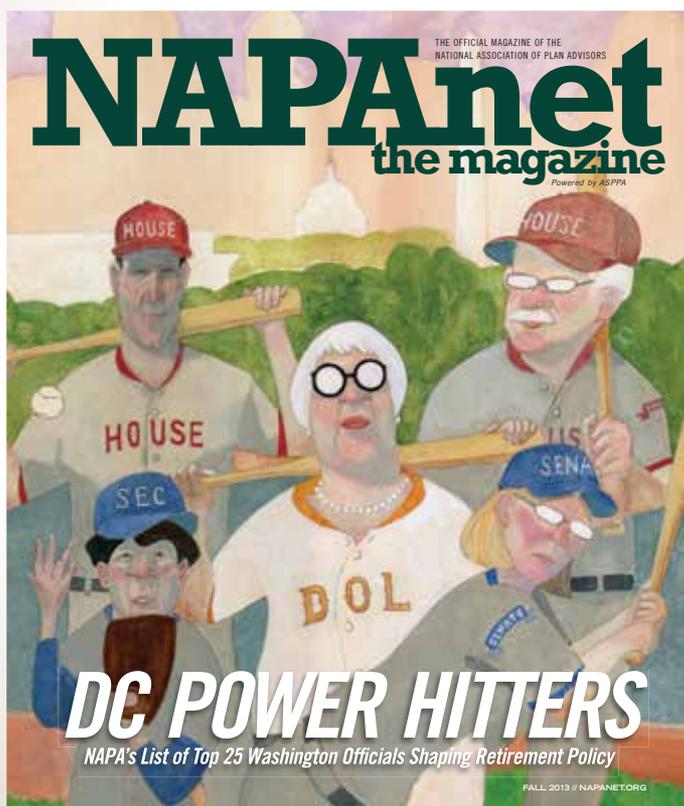
nology and data will highlight those professionals who are really producing results as providers align their interests, incentivizing wholesalers to only sell plans and products that the provider can service and make

money from.

Technology and marketing, with external wholesalers working in concert with internals, marketing and product people as well as key accounts, will benefit the highly productive “star” wholesalers, while mediocre professionals will be ferreted out. These star wholesalers will be able to work longer since less travel will be required via technology that amplifies their voices — and because their better understanding of when an advisor is likely to buy means they do not need to hover.

Value add will be customized not just by advisor segment but by individual advisor, and delivered in training sessions by wholesalers who engage rather than sell or present. And someday, as consolidation heats up, record keepers will get selective about the types of plans and advisors they work with — which means they need to hire the right types of wholesalers with a proper mix of internal, marketing and strategic resources. **N**

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