



## Retirement Income Planning for the Middle Market – With or Without Field Reps

Charles S. Yanikoski  
RetirementWORKS, Inc.\*

May 15, 2011

In the middle market, the problem lies in the conflict between the *seriousness* of the client's situation, the unavoidable *complexity* of most clients' needs, and the *limited revenue* that arises from most middle market cases.

When strategizing about how to create a truly effective, profitable approach to retirement income planning for the middle market, you have a few plausible alternatives.

The *best* outcome occurs when a producer-based distribution system successfully adopts a somewhat different sales approach to this market, as we discuss later in this paper, and thereby generates more business with less effort. But getting there may not be easy. Old habits can be hard to modify, especially when they continue to generate good results in other situations. So persuading producers to institute new practices will, at least in some cases, present an obstacle to swift and full change.

Even so, standing pat is not the answer, either. The *worst* outcome – for reasons we explore in the next section – is a field force using customary approaches to serving this market.

The *middle* outcome occurs when there is no field force at all. The needed processes are much simpler

---

\* Charles S. Yanikoski is head of consulting services for Still River Retirement, and President of its consumer subsidiary, RetirementWORKS, Inc. He is also founder of the Association for Integrative Financial and Life Planning. He can be reached at [csy@StillRiverRetire.com](mailto:csy@StillRiverRetire.com).

The upshot is that the face-to-face financial advisor must either:

- limit him/herself to spending minimal time understanding and analyzing the middle market retiree's true situation, or else
- lose money doing a truly sufficient job for, at best, only modest compensation.

to introduce in that environment. But their actual use will mostly be at the initiative of the consumer. So middle market customers who need prodding may be harder to serve well.

There is no boilerplate solution, therefore, and you need to carefully adapt a strategy to your own situation. Here are some points to consider while doing so.

### **Why the Worst Outcome Arises from Field Reps Using Traditional Approaches**

The problem lies in the conflict between the *seriousness* of the client's situation, the unavoidable *complexity* of most clients' needs, and the *limited revenue* realized from most middle market cases.

The *seriousness* of the client's situation is embodied in the very definition of the middle market: these are people with limited means.

- Without wealth, nothing they do can guarantee that they will remain solvent in old age. They have relatively small margins for error, so even the wisest and most disciplined among them are vulnerable to the possibility of some moderate misfortune turning into a financial catastrophe.
- They tend to be more exposed to risk. Middle market folks are less likely to get the top-notch professional advice that would help them avert disasters. They are less likely to own all the varieties of life, health, property, and liability insurance that would protect them. Their family and friends are usually also of the middle class, and thus also vulnerable and more likely to need help (and less able to provide it).
- They have few options if they do sail into shallow financial waters, or simply outlive their resources. Usually they are elderly by the time

The only way to avoid this dilemma is to change the process so it produces a far better result at a far lower cost. Fortunately, this is possible, but only by taking most of the labor out of the hands of the field rep.

the financial noose tightens, and by then, going back to work is not an option – or if it is, the work is likely to be temporary and badly paid.

Meanwhile, the *complexity* of the middle-market client's situation often, for practical purposes, exceeds that of the affluent client. People with plenty of money don't need to sweat the small decisions, but for the middle class, *any* misplayed choice reduces their already limited financial cushion. So they really do need to make smart decisions about when to start collecting Social Security, which option to take from a defined benefit plan, how to invest well but safely, what kind of medical coverage is right, whether they need life insurance or long-term care insurance or annuities, the right time and the right method to tap home equity, whether their standard of living is sustainable for the long run or not, and so on and on and on. The problem is that:

- Most of these decisions are difficult to understand, often to the point where even professional advisors don't get them right.
- Most of these issues are completely new to people entering retirement, or if they are not completely new, they have a very different flavor (e.g., making health insurance decisions, but now in the context of Medicare eligibility).
- These issues are interconnected, in that decisions made in one area affect the decisions that ought to be made in other areas. The trade-offs are almost impossible to grasp fully, however, even for experts. Ordinary folks are seldom even aware that all these trade-offs exist, let alone know how to balance them properly.
- These financial decisions are also connected with life decisions that have significant non-financial motivations or consequences. These decisions involve where people live, who they

If field reps cannot afford to spend much time on middle market customers, providing help of the quality that consumers need in this market means finding additional resources – either human or automated – that will work for free, or close to it.

live with or near, how they spend their time, how they balance present vs. future needs, how focused they are on their health, and, among other concerns, how married couples (or other interested parties) agree or differ on all such points. Such non-financial factors complicate the process even more.

The *revenue limitations* for producers stem from several factors:

- Older middle market retirees seldom buy the products that pay the largest commissions: life insurance (because they don't need it, can't qualify for it, or are too old to get premium rates they can afford) and long-term care insurance (for a variety of reasons, of which cost usually tops the list).
- Liquid assets are generally modest, so that advisors compensated via asset management fees find there isn't enough to be worth the effort.
- Immediate annuities, which are suitable for the middle market and pay decent commissions, have always been a tough sell.
- Few middle market consumers, especially retired ones, will pay fees out of pocket for financial planning. And the few who might pay resist the four-figure cost of a plan that takes into account the seriousness and complexity of their situation.

The result of all this is that the face-to-face financial advisor is caught between two bad choices: either be limited to investing minimal time analyzing the middle market retiree's true situation, or else lose money doing a truly sufficient job in an environment where, at best, only modest compensation will be earned.

Automated tools can do the dirty work in the *Analysis* stage.

*Information Collection* can be performed for free by the client.

By giving the middle market client direct access to the input segments of a web-based, sophisticated analytical tool, the producer is freed from both the effort and the E&O responsibilities of collecting and entering client information.

What happens in reality is that field reps either avoid such clients altogether,\* or take a quick-and-dirty approach to helping them with their problems. The latter means investing no time on serious analysis of the complexities of the client's situation, and instead focusing solely on addressing one or two potential financial needs with which the rep has some familiarity (or at least access to a generally suitable product).

Whichever approach is used, the customer fails to get what she or he needs. Instead of an intelligently developed overall plan within which product decisions can be appropriately made, the middle market consumer gets no help at all, or incomplete help that may actually do more harm than good.

The only way to escape this dilemma is to change the process so it produces a far better result at a far lower cost. Fortunately, this is possible, but only by taking most of the labor out of the hands of the field rep.

### **Making the Advisory Process Cost-efficient for the Middle Market**

If field reps cannot afford to spend much time on middle market customers, the only way to provide quality help in this market is to find additional resources – either human or automated – that will work for free, or close to it.

Fortunately, both options can be used, especially if they are used together.

Let's think of the sales process as having three time-consuming phases: (1) information collection, (2) analysis of the needs, and (3) closing the sale and doing the necessary paperwork.

---

\*According to a January 2011 study by the Bankers Life & Casualty Center for a Secure Retirement, over half of middle market people get no financial advice at all, and a majority of those who do get advice have had to take the initiative themselves. For details see the *Middle Income Retirement Preparedness Study*, [http://www.centerforasecureretirement.com/media/38740/18120\\_report\\_01-2011\\_final.pdf](http://www.centerforasecureretirement.com/media/38740/18120_report_01-2011_final.pdf) )

If the customer handles the data collection, and a computer handles the analysis, the field rep may not even be aware of the client's existence until the arrival of an email or report indicating that an analysis has been performed.

The producer's time is optimized.

Serving the middle market in this fashion is considerably more efficient and productive than current processes.

Producers are most efficient when they spend most of their time on the third phase (or in finding out they can't close the sale, so they can move quickly to the next prospect). Time spent on the two prior phases, although necessary, is overhead – since, in the middle market at least, field reps are rarely compensated directly for this time. So that is where we need to remove their burden.

*Automated tools* can do the dirty work in the *Analysis* stage. At present, most producers use very simple analytical tools, mostly because more complex ones take more time to use (and to learn how to use). Given the seriousness and complexity of the typical middle market retiree's situation, though, simple tools are very much inadequate to the task. Since the analysis itself – as opposed to the data entry – is essentially instantaneous on a local computer or over the internet, analysis by a comprehensive, integrated, detailed software tool takes no longer than that of a simplistic, faulty one. And given that such tools already exist, this element of the problem can be solved. Of course, a detailed analytical tool does require more input, so this can exacerbate the information collection phase of the sales process. But this is resolvable using a free *human* resource:

*Information collection* can be performed for free by the sales prospect. By giving the middle market client direct access to the *input* segments of a web-based, sophisticated analytical tool, the producer is freed from both the effort and the E&O responsibilities of collecting and entering client information. Furthermore, such a process is actually more efficient for the customer as well as the producer. The client generally has to provide all the data anyway. Doing so using software that can guide the prospect through the process at his or her own convenience and preferred pace is much more efficient than using a face-to-face interview (especially when the necessary financial records are not all conveniently at hand) or using a written questionnaire that is necessarily static

This arrangement is easier to adopt for organizations that do not have field reps.

What you need is a suitable software tool, promotion of its use, and back-end connections to your products.

and unable to focus on what is relevant to a given case.

Another advantage to the customer having an active, hands-on role in the process is that he or she has a greater investment in it – and is therefore more likely to follow through (i.e., with a product purchase) at the back end.

Our own experience with this kind of tool is that it also boosts clients' confidence in the results. *They* know that their situation is too complex to be captured in a half dozen, a dozen, or even a few dozen simple questions. And the kind of sales prospects most likely to become clients are the ones who are concerned about their situation – and therefore who have the motivation to put the necessary time into data collection.

Another interesting consequence is that, if the customer handles the data collection and a computer handles the analysis, the field rep does not even have to be aware of the client's existence until the arrival of an email or report indicating that an analysis has been performed. Then the producer can review the analysis, perhaps tweak it a bit, and schedule a meeting. Alternatively, the client could be allowed to review the analysis first, then contact the field rep to help select specific products and features.

Either way, the use of the producer's time is optimized, and serving the middle market in this fashion is considerably more efficient and productive than current processes.

### **Serving Middle Market Retirees Without Field Reps**

For organizations that do not have field reps, this strategy is easier to adopt. If you already allow customers to purchase your products and services on their own, offering this kind and quality of analysis

The *optimal* situation, however, may be the one in which an extensive field force already exists, but it traditionally focuses more on the *affluent* market.

What insurance agent, for example, even a highly successful one, will turn up his or her nose at the commission on a \$50,000 single premium immediate annuity, if the client comes to the first meeting ready to write the check?

will generate more business and bind your customers even more closely to you.

What you need is: (1) a suitable software tool, (2) promotion of its use, and (3) back-end connections between the tool's determination of a need, and the client's ability to connect to your solution to it.

Without human intervention it's easier for potential customers to drop the ball along the way, so this method, while easiest and cheapest, is not always the most productive. But if it fits your business model, it may be best for you. And if the customer is doing all the work, productivity may not be a serious issue.

### **Can It Work Better With Field Reps?**

Yes, it can, but this is not going to happen easily or automatically, in most cases.

The optimal situation, in fact, may be the one in which an extensive field force already exists, but traditionally focuses more on the *affluent* market. Granted, a brand new, client-driven, highly automated sales process for the middle market will feel foreign to such field reps at first. But to the extent that it brings in prospects who are not only pre-qualified but essentially "pre-sold," it should gain acceptance quickly. What insurance agent, for example, even a highly successful one, will turn up his or her nose at the commission on a \$50,000 single premium immediate annuity, if the client comes to the first meeting ready to write the check?

Sales reps already accustomed to serving the *middle* market may be harder to convert, however.

Generally speaking, they have been trained in the use of processes and tools that make sense for *younger* clients, where the sale of a savings plan for retirement or education needs, or an insurance sale, is a worthy reward for their efforts. Many producers still see the aging middle-market population as a



Sales forces already accustomed to serving the *middle* market may be harder to convert.

Even if they are willing to change, they would be hard pressed to do so on their own, as most lack the strategic insight or the financial means, or both.

Overcoming these obstacles requires vision and leadership at the home office.

suitable target. But they often don't realize, until they dive into it, that the reward-to-effort ratio, using their customary approaches, is typically poor with this audience.

Even so, entrenched practices can be resistant to change. Long-time producers, whose clients are aging along with them, are probably looking for a way to complete their careers gracefully and productively, with a minimum of extra effort, rather than investing time into adopting new methods. And even if they are willing to change, they would be hard pressed to do it on their own, as most lack the strategic insight or the financial means, or both.

There are various ways to overcome these obstacles, but they require vision and leadership at the home office.

### **How Do You Make This Work in Your Company?**

There is no "one size fits all" answer to this question. It depends on your product line, your current distribution system, your budget, and your own willingness and ability to innovate. Financial companies who already have the right combination of elements could charge into this head-first, and succeed quickly. Others need to take it in smaller steps.

But either way, a move in this direction is good for current and future middle market clients, and can be both effective and cost-efficient for product and service providers in the field, as well as for the financial institutions they represent. So a strategy that leads down this road should at least be considered.

**RetirementWORKS, Inc., and its parent company, Still River Retirement, provide *innovation, consulting and tools* to financial companies, employers, consumers, and consumer-based organizations, related to retirement. Our specialty is serving, and helping others serve, *the needs of retirees and people approaching retirement* – facilitating financial and life decisions to improve the quality of life in the older years. To learn more, go to <http://www.StillRiverRetire.com/consulting>.**