



Highlights from the 2012 LIMRA-McKinsey Experienced Financial Advisor Study

Fall 2012

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The 2012 LIMRA – McKinsey Experienced Financial Advisor Survey

Purpose: to better understand the profile and preferences of experienced (3+ years in tenure) individuals selling retail insurance, investments and financial services. The results will help organizations provide the products, services and support that will maximize advisor productivity and strengthen relationships with their most desired agents and advisors.

Methodology

- Data collected via an on-line survey and phone interviews in spring and summer of 2012 with nearly 2,000 financial advisors across distribution channels. See details about the study at the end of the report.
- Participants represent a wide spectrum of companies and firms, focusing on the largest firms.
- Specific criteria for participants included:
 - Work full-time selling insurance and financial services
 - Have three or more years industry sales experience
 - Meet minimum earnings thresholds based on their distribution channel

Topics included

1. Advisor Profile/Demographics
2. Product & Client Mix
3. Business Placement Approach
4. Career Phase
5. Attitudes & Opinions
6. Value Proposition
7. Technology
8. Compensation/Advisor Economics
9. Practice Model
10. Teaming
11. Client Acquisition
12. Retirement Advice & Planning

Summary of findings: The economics of financial advisory distribution appear challenged by prevailing headwinds, but pockets of opportunity remain for improvement

Key insights from 2012 survey

1

Sales capacity remains an issue: Advisory sales forces are not only aging without sufficient plans for transition to the next generation of advisors, but they are also less satisfied than in previous years, especially in affiliated models

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Advisors seek out growth over higher payouts: Advisors believe better growth opportunities outweigh compensation by 2x in choice of firm

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Four best practices can drive growth: The most productive advisors make better use of teaming, client specialization, retirement planning and knowledge of client life events

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Product mix shifting to investments: Advisors – especially the more productive advisors – are selling a smaller share of insurance products relative to investments and advisory solutions

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Opportunity to reevaluate service delivery models: Services being offered to advisors have increased by ~40% over last decade, but many of these services are either not valued or poorly delivered

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Advisors keen to introduce new technologies to their practice: Advisor use of Skype/ video technology will quadruple in the next 3 years, while social media will more than double

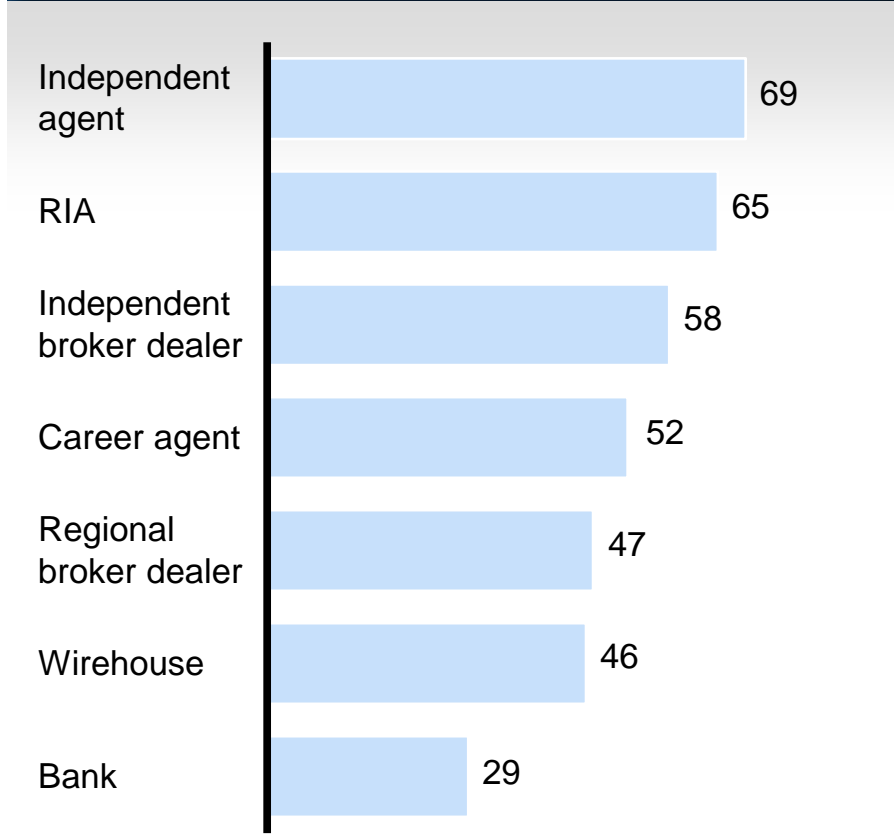
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Advisors actively screening carrier partners: While advisors work with 6 insurance carriers on average, there is meaningful churn within this list

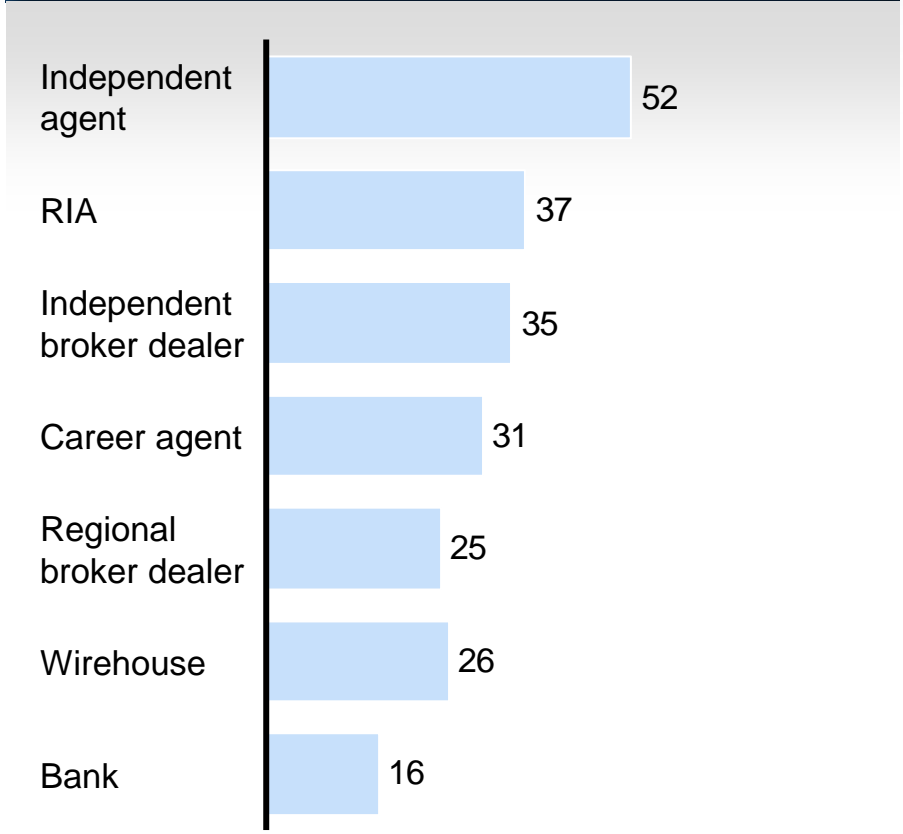
1 SALES CAPACITY REMAINS AN ISSUE

Across most channels, the majority of experienced¹ advisors are over 50 and have significant industry experience

Advisors age 50 and older Percent by channel



Advisors with 25+ years industry experience Percent by channel



¹ Advisors in survey have at least 3+ years of experience in industry

SOURCE: LIMRA-McKinsey Financial Advisor Survey 2012

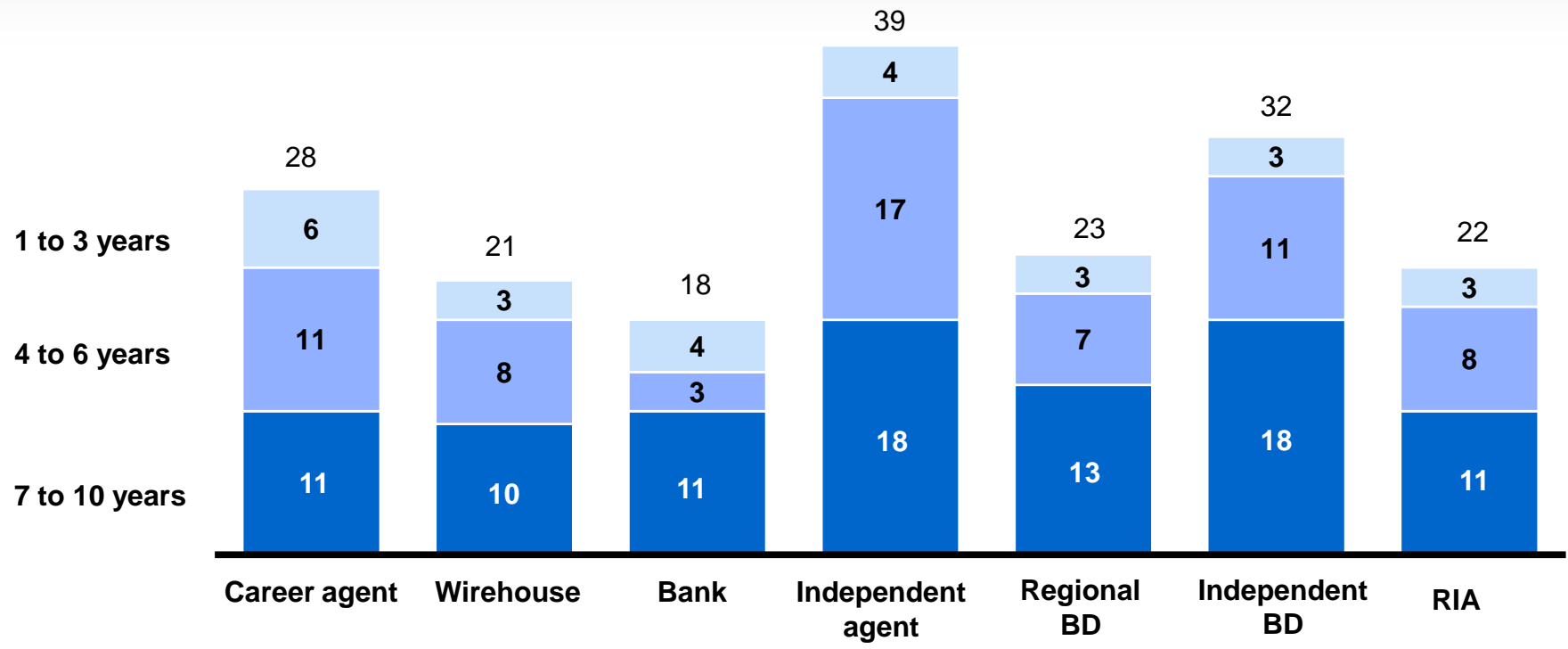


1 SALES CAPACITY REMAINS AN ISSUE

About 20% to 40% of advisors are within 10 years of retiring or selling their practices, but more than half have no succession plans

Years to retirement/sale of practice by channel

Percent channel total



Percent with succession plans



*Insufficient data
 **Based on a small sample

SOURCE: LIMRA-McKinsey Financial Advisor Survey 2012

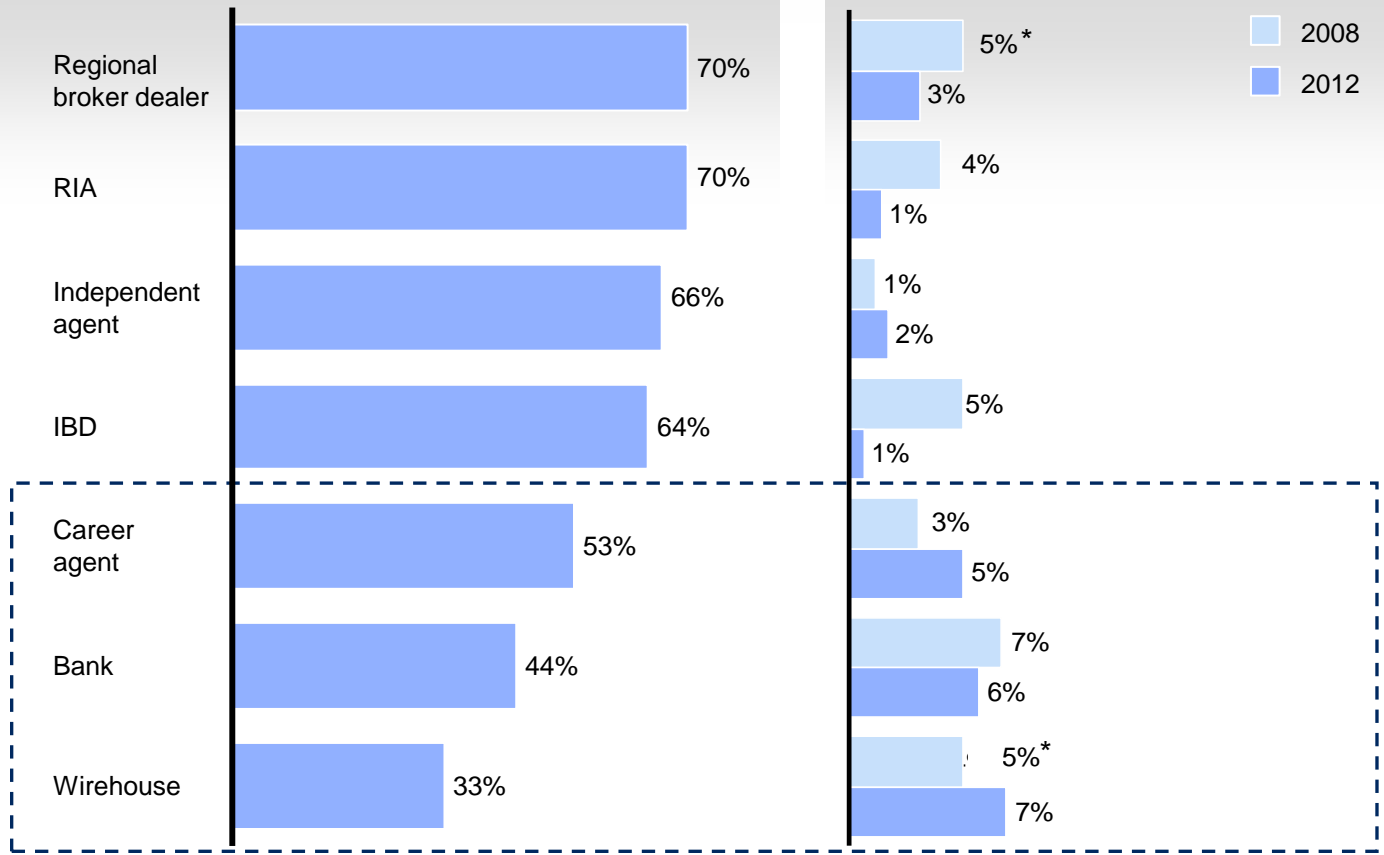


1 SALES CAPACITY REMAINS AN ISSUE

Affiliated advisors are less satisfied than independent advisors and likely planning to leave in the next 3 years

Advisors very satisfied with their current firms

Advisors likely to leave firm within 3 years



- Satisfaction among advisors is significantly higher in all independent channels
- Fewer independent advisors are planning to leave their firms than in 2008, unlike the career and wirehouse channels, where more advisors now plan to depart

*Combined into one channel for 2008 survey
 SOURCE: LIMRA-McKinsey Financial Advisor Survey 2008, 2012

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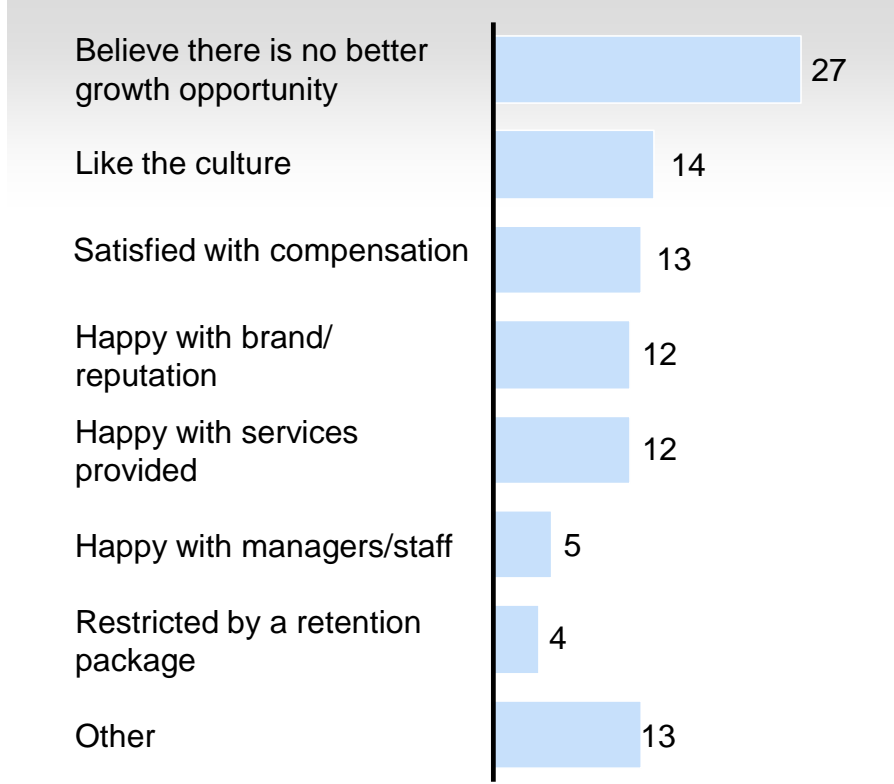
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2 ADVISORS SEEK OUT GROWTH OVER HIGHER PAYOUTS

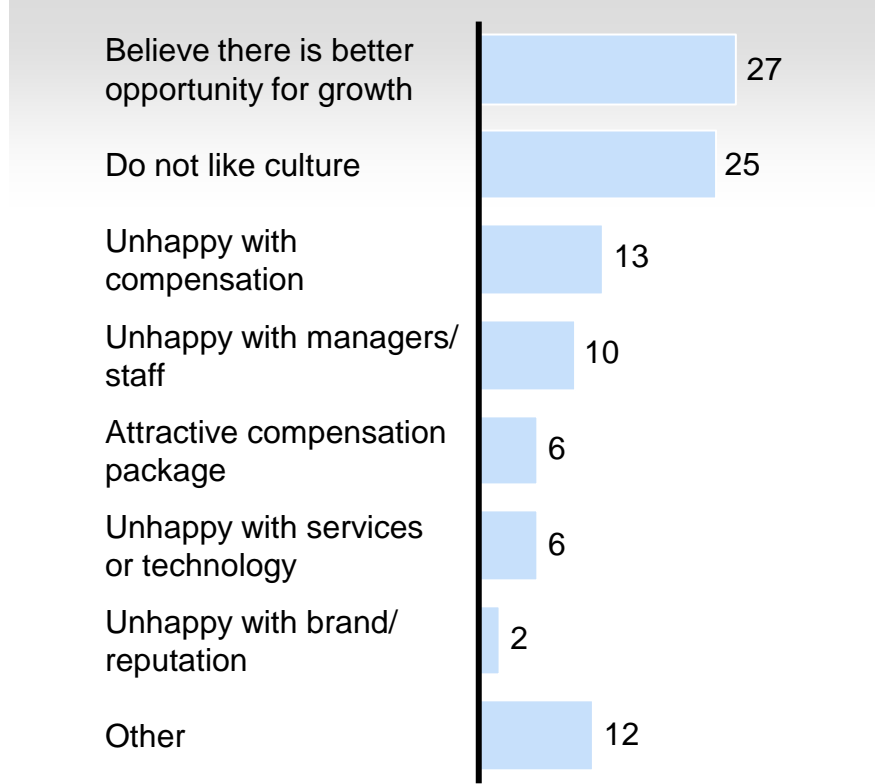
Growth opportunities and company culture are the most important factors in advisors' selection of firm – compensation is high but not most critical

Percent

Reasons advisors state for remaining with their firm



Reasons advisors state for leaving their firm



SOURCE: LIMRA-McKinsey Financial Advisor Survey 2012

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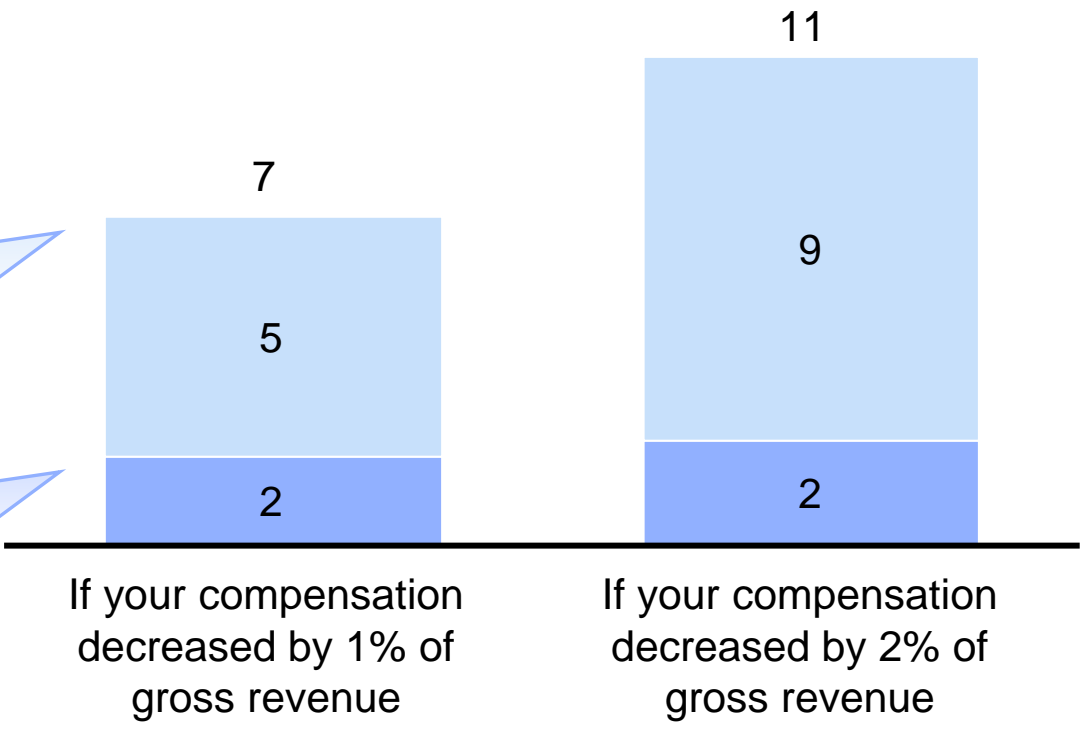
Only 2% of advisors say they would “absolutely” leave their current firm if their compensation were decreased by 2% of gross income

Advisors who would probably or absolutely leave their firm in the next three years...

Percent of advisors

“I would probably leave my current firm”

“I would absolutely leave my current firm”



SOURCE: LIMRA-McKinsey Financial Advisor Survey 2012

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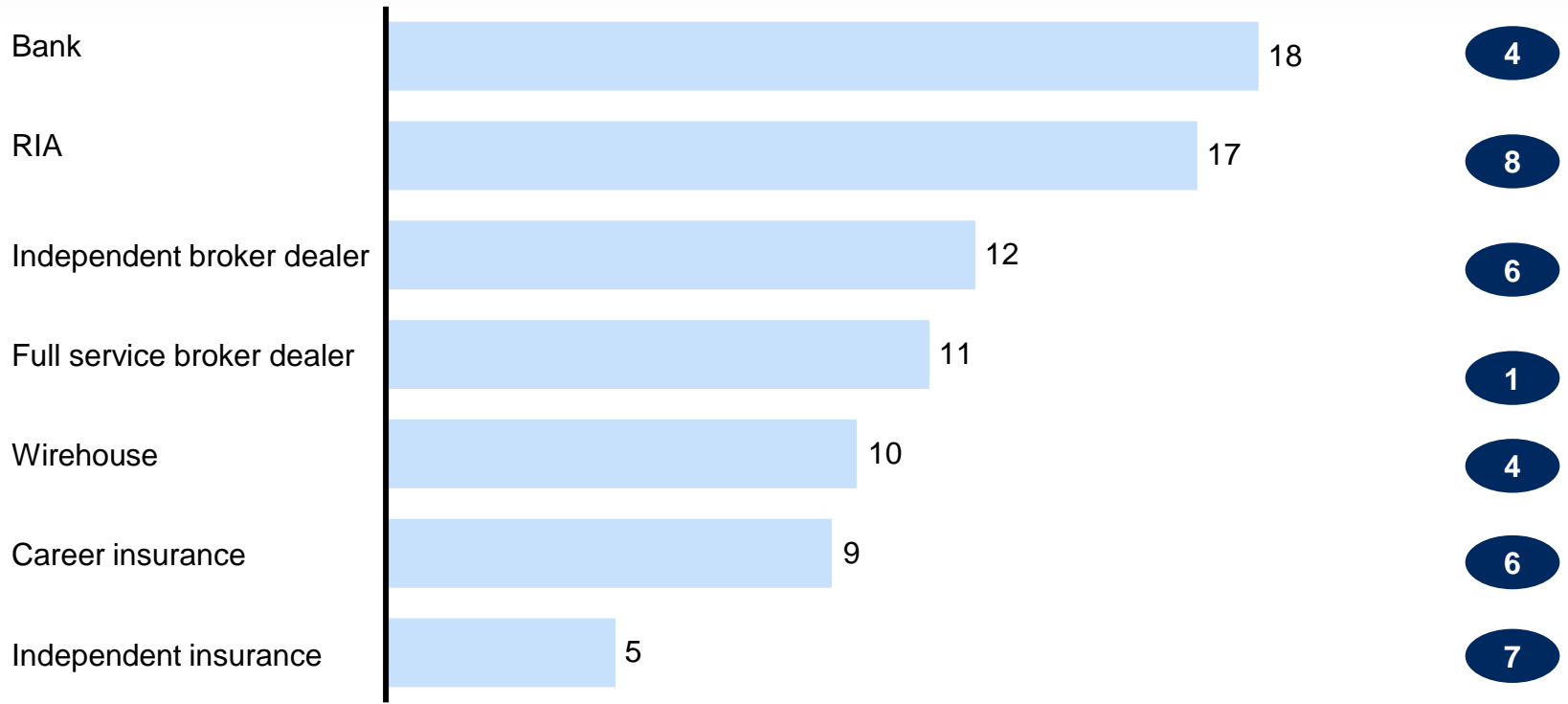
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Experienced advisor production has increased since 2009

2009-2011 growth in gross income from sales of insurance and financial services products, self-reported by advisors
Percent CAGR

2007-2009
Percent CAGR



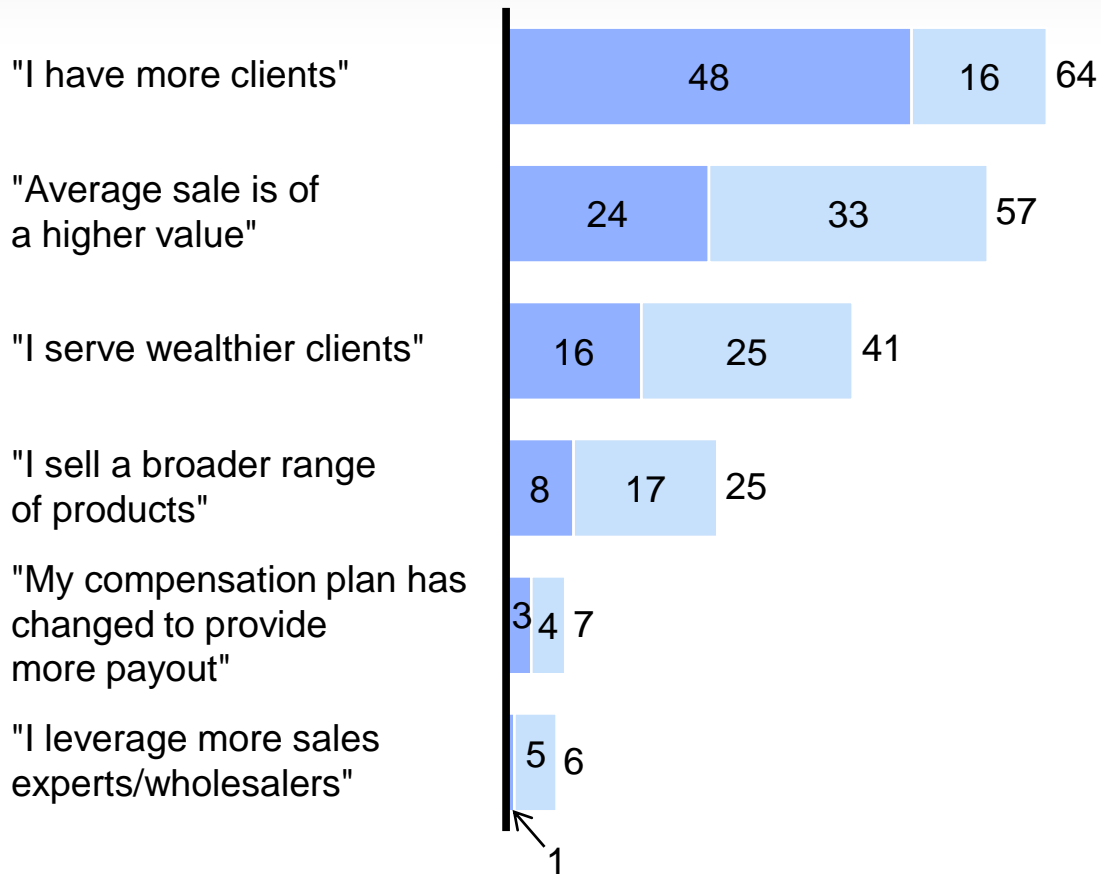
SOURCE: LIMRA-McKinsey Financial Advisor Survey 2012

Advisors report several reasons for increases in their production, including more clients and higher average sales

■ Primary reason
 ■ Secondary reason

Top 2 reasons cited by experienced advisors for growth in gross income

Percent



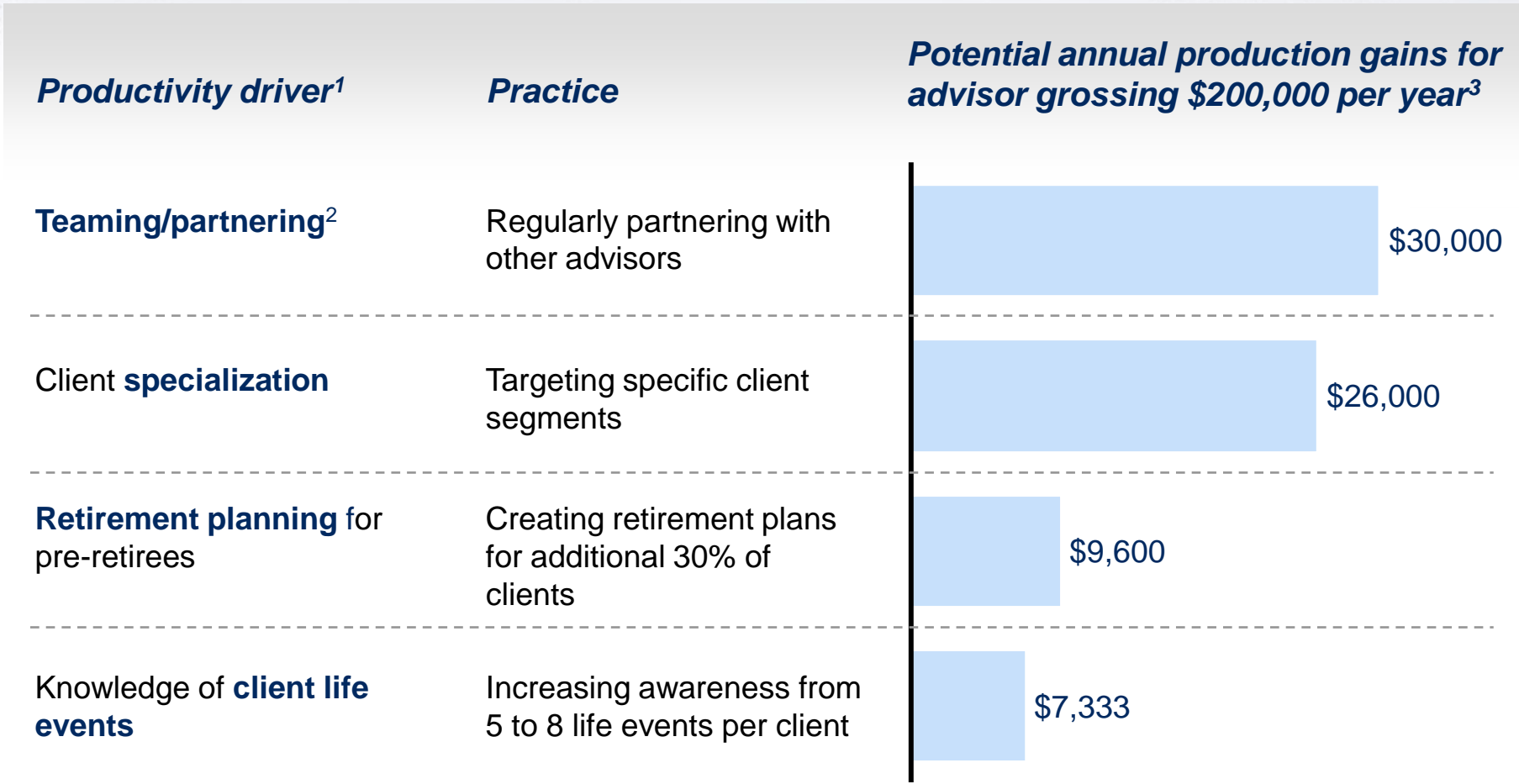
- Of those who experienced an increase in income from 2009 to 2011, almost half said the main reason was an increase in clients.
- More than half stated that higher average sales value is one of the top two reasons for their increase in income.
- Market/economic conditions are cited as the most important cause of decreasing income for 50% of agents who experienced a decrease from 2009 to 2011.

SOURCE: LIMRA-McKinsey Financial Advisor Survey 2012



3 FOUR BEST PRACTICES CAN DRIVE GROWTH

Four best practices can drive advisor productivity higher by more than 30%



1 Drivers of productivity identified through multivariate regression.

2 Effect holds for those who regularly refer clients with special needs to other professionals, occasionally or regularly conduct joint fieldwork, or are part of a formal sales team that shares clients, revenue expenses and support.

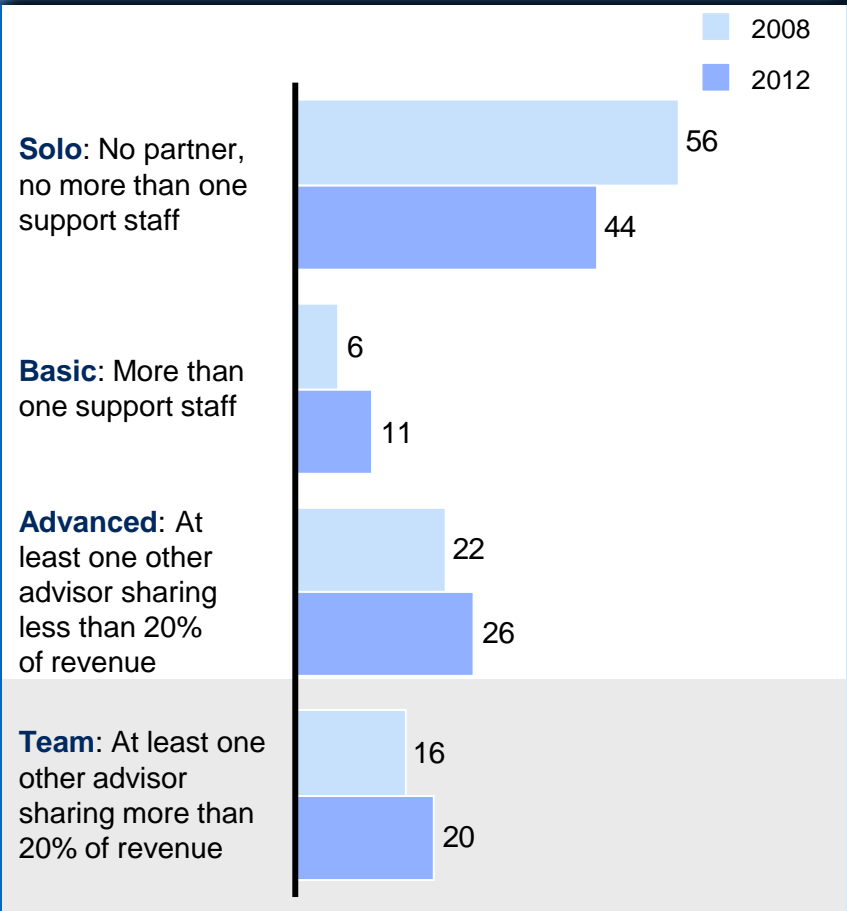
3 Regressions control for effect of channel affiliation, years of experience, firm tenure, education level and gender on productivity.

SOURCE: LIMRA-McKinsey Financial Advisor Survey 2012

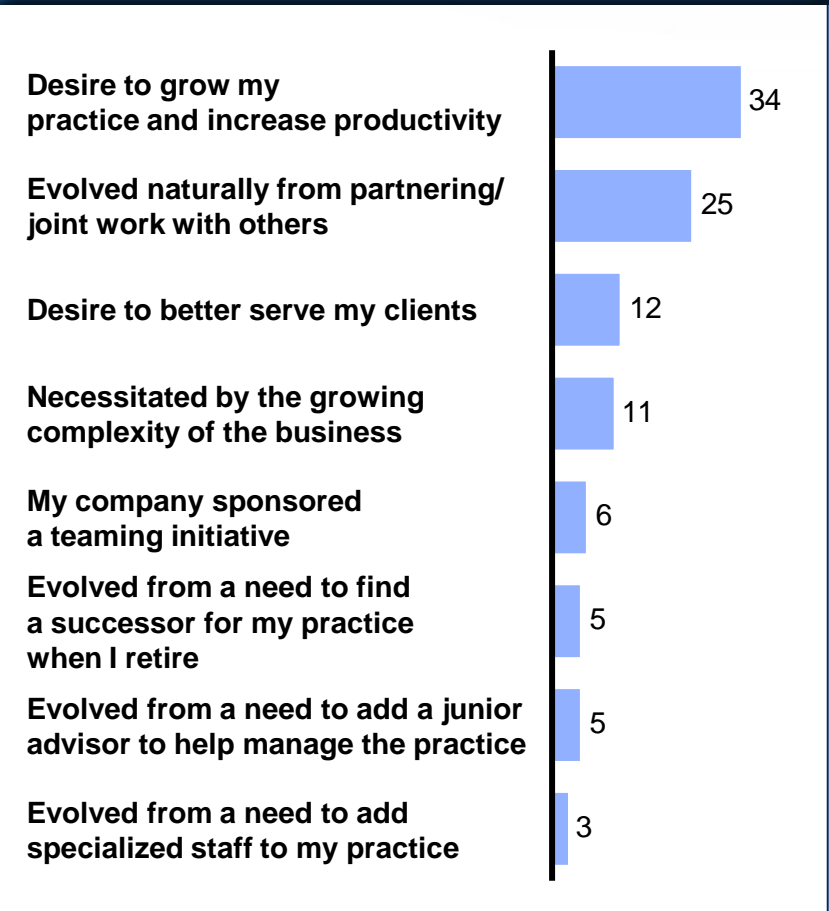
The percentage of advisors collaborating and teaming has grown since 2008, primarily due to advisors' desire for growth

Percent

Advisor practice models by type of collaboration, 2008 vs. 2012



Primary reasons for how advisors' teams evolved

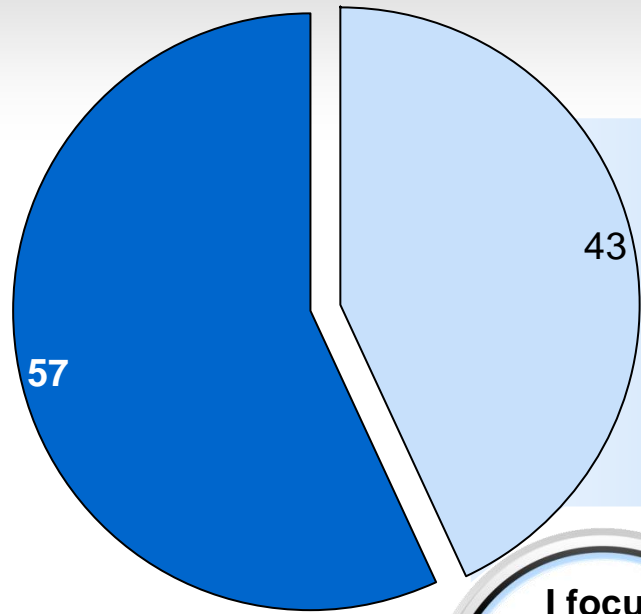


SOURCE: LIMRA-McKinsey Financial Advisor Survey 2008, 2012

3 FOUR BEST PRACTICES CAN DRIVE GROWTH

Forty-three percent of advisors say they specialize in a client segment, typically focusing on client affluence level or occupation

Advisors who incorporate client specialization and segmentation into their practice model
Percent of advisors

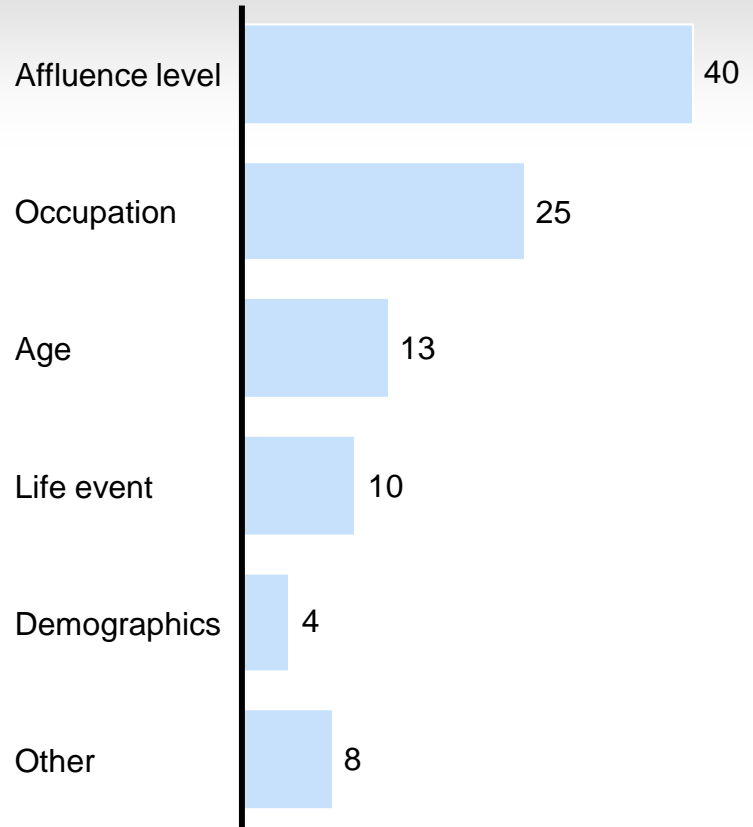


I serve whatever clients are available in my local market

Median gross income **\$200,000**



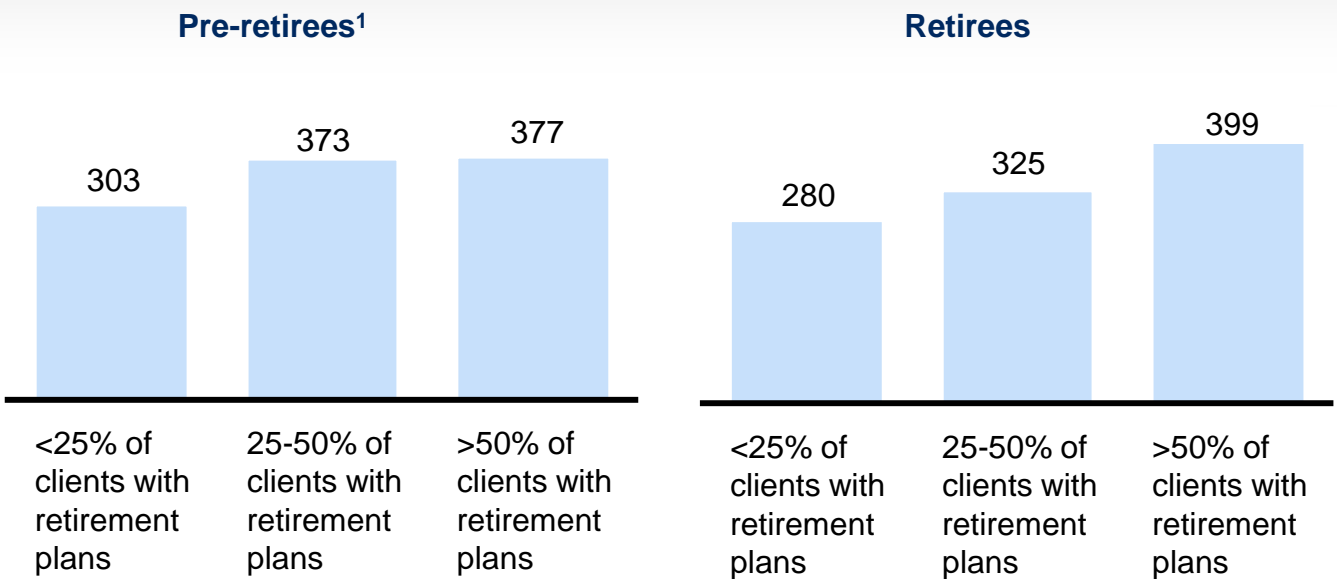
Primary dimension advisors use to segment clients
Percent of advisors citing dimension as a primary criteria



SOURCE: LIMRA-McKinsey Financial Advisor Survey 2012

Few advisors have provided their clients with formal retirement plans; those who have are more productive

Average gross income by percentage of clients with formal retirement plans
 \$000s, 2011



Average percent of clients, by segment:

- With formal retirement plan
- Executing plan

23%

13%

38%

28%

¹ Represents pre-retirees age 40-55

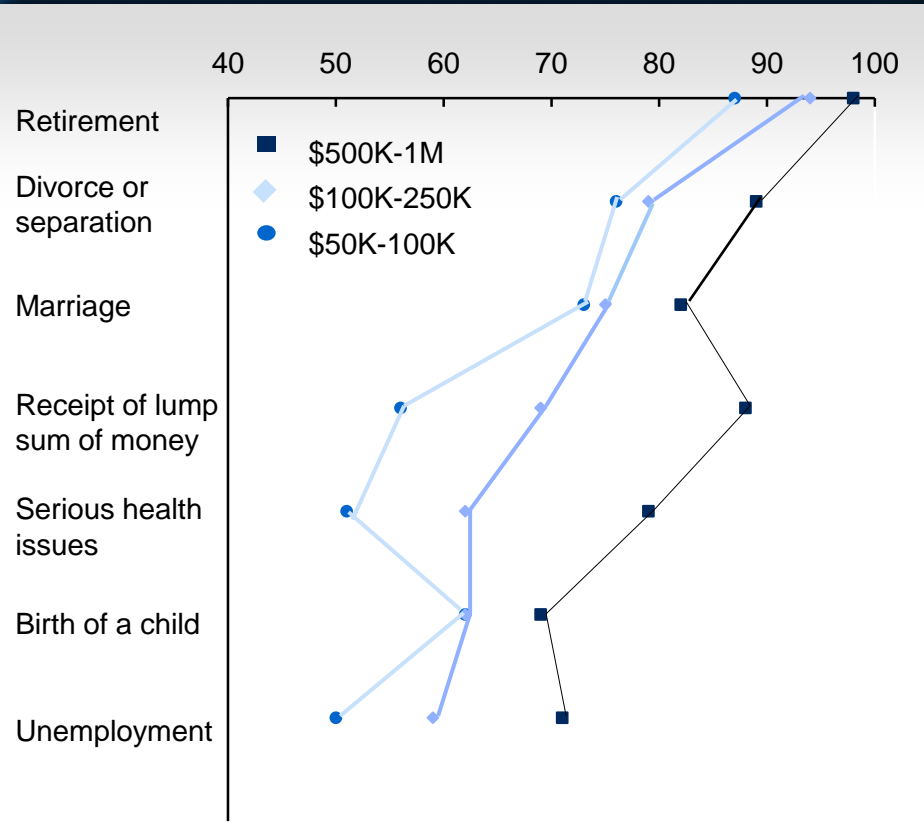
SOURCE: LIMRA-McKinsey Financial Advisor Survey 2012



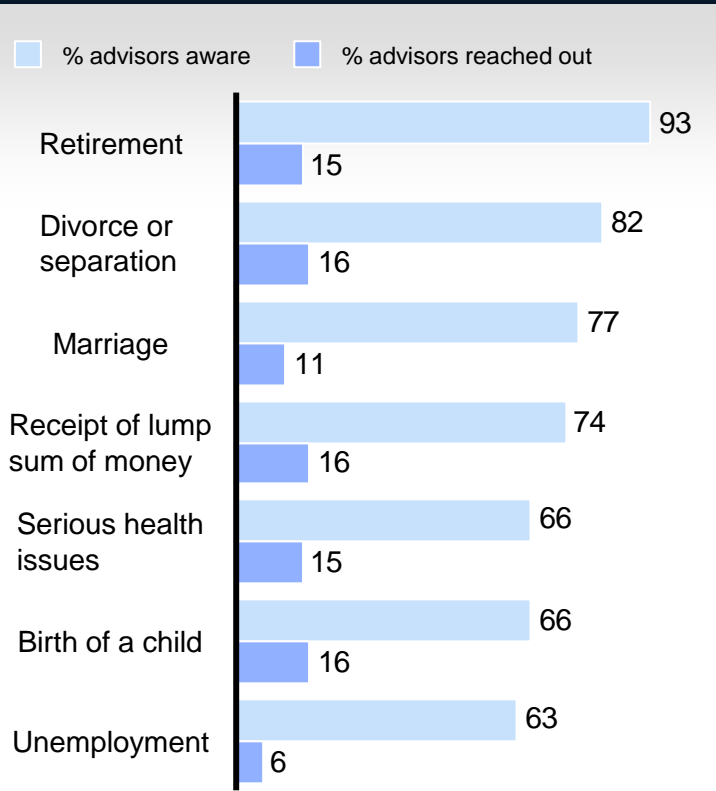
3 FOUR BEST PRACTICES CAN DRIVE GROWTH

Knowledge of client life events correlates with higher productivity, and many advisors fail to leverage this information

Awareness level of nine key life events by production
Percent



Advisor awareness and proactive reach-out to clients by life event
Percent



SOURCE: LIMRA-McKinsey Financial Advisor Survey 2012; McKinsey Survey on Consumers, 2012

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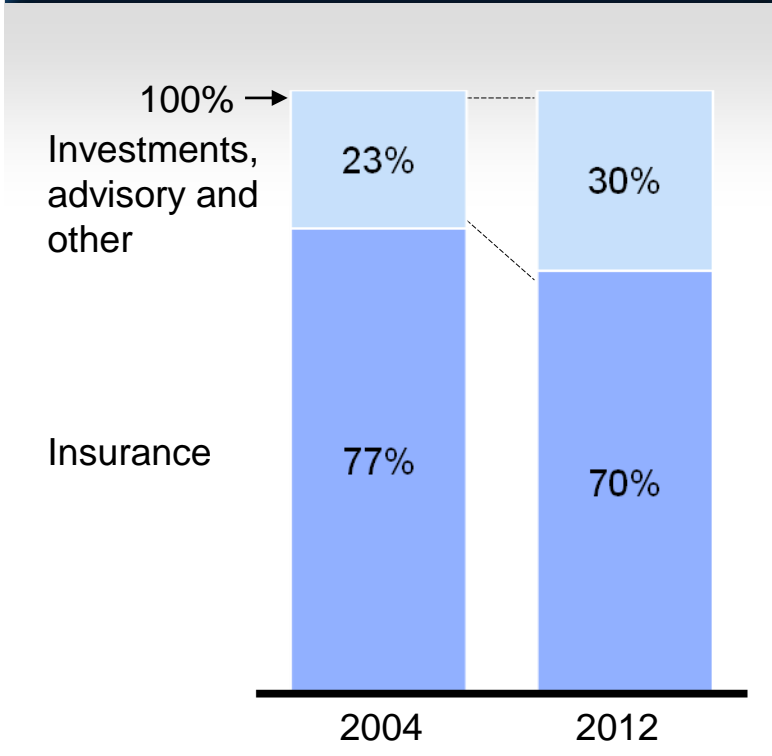
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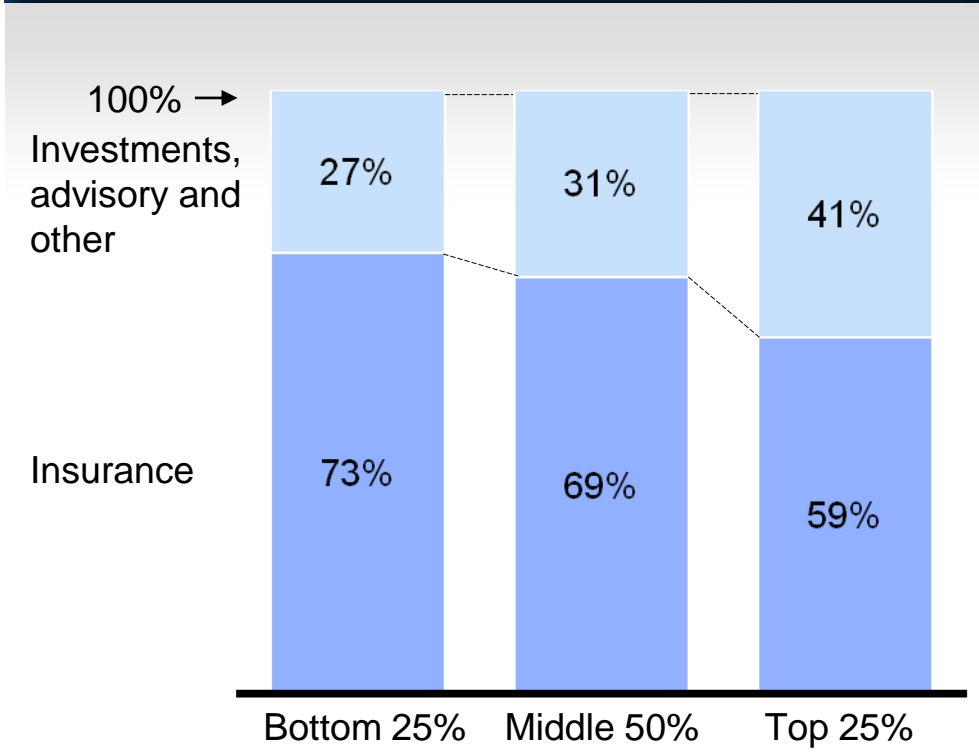
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Investment products are growing as a share of revenues for career and independent agents

Product mix 2004 vs. 2012
Percent of total gross revenues



Product mix by production level
Percent of total sales

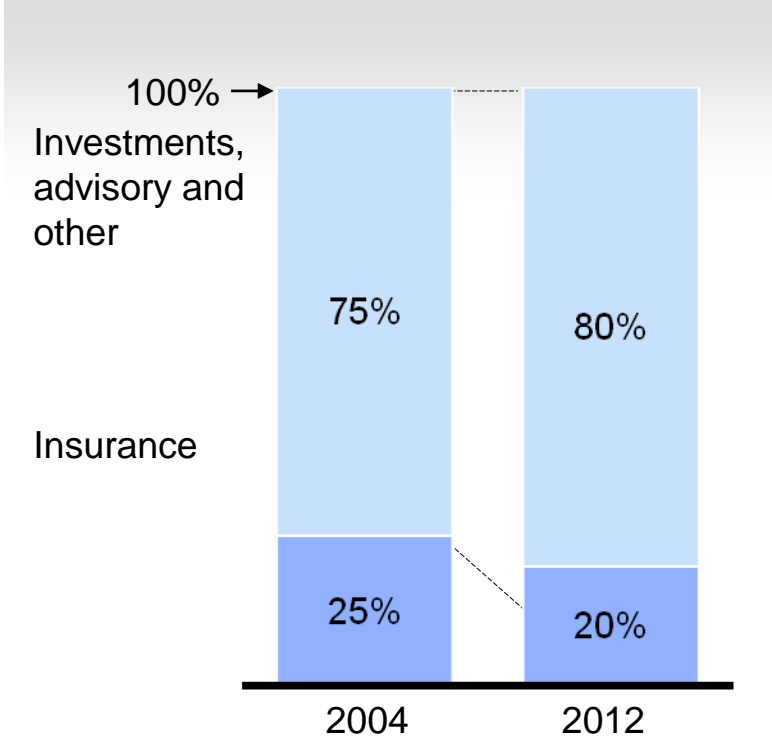


SOURCE: LIMRA-McKinsey Financial Advisor Survey 2004, 2012

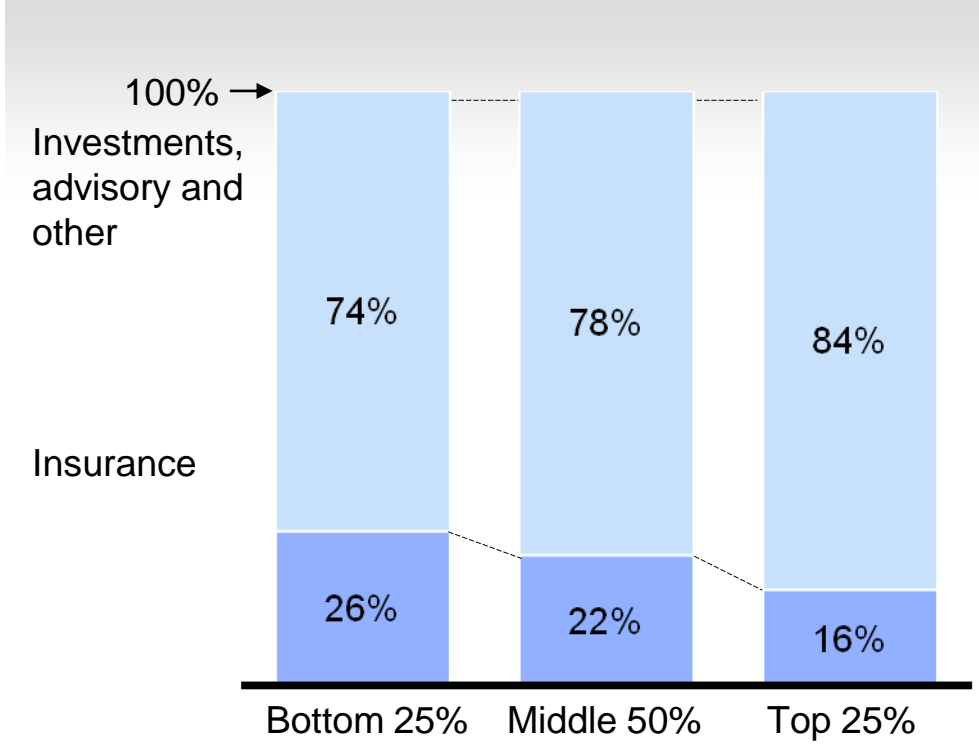
4 PRODUCT MIX SHIFTING TO INVESTMENTS

Investment products are taking share from insurance products as a percentage of gross revenues for investment-focused advisors ¹

Product mix 2004 vs. 2012
Percent of total gross revenues



Product mix by production level
Percent of total sales

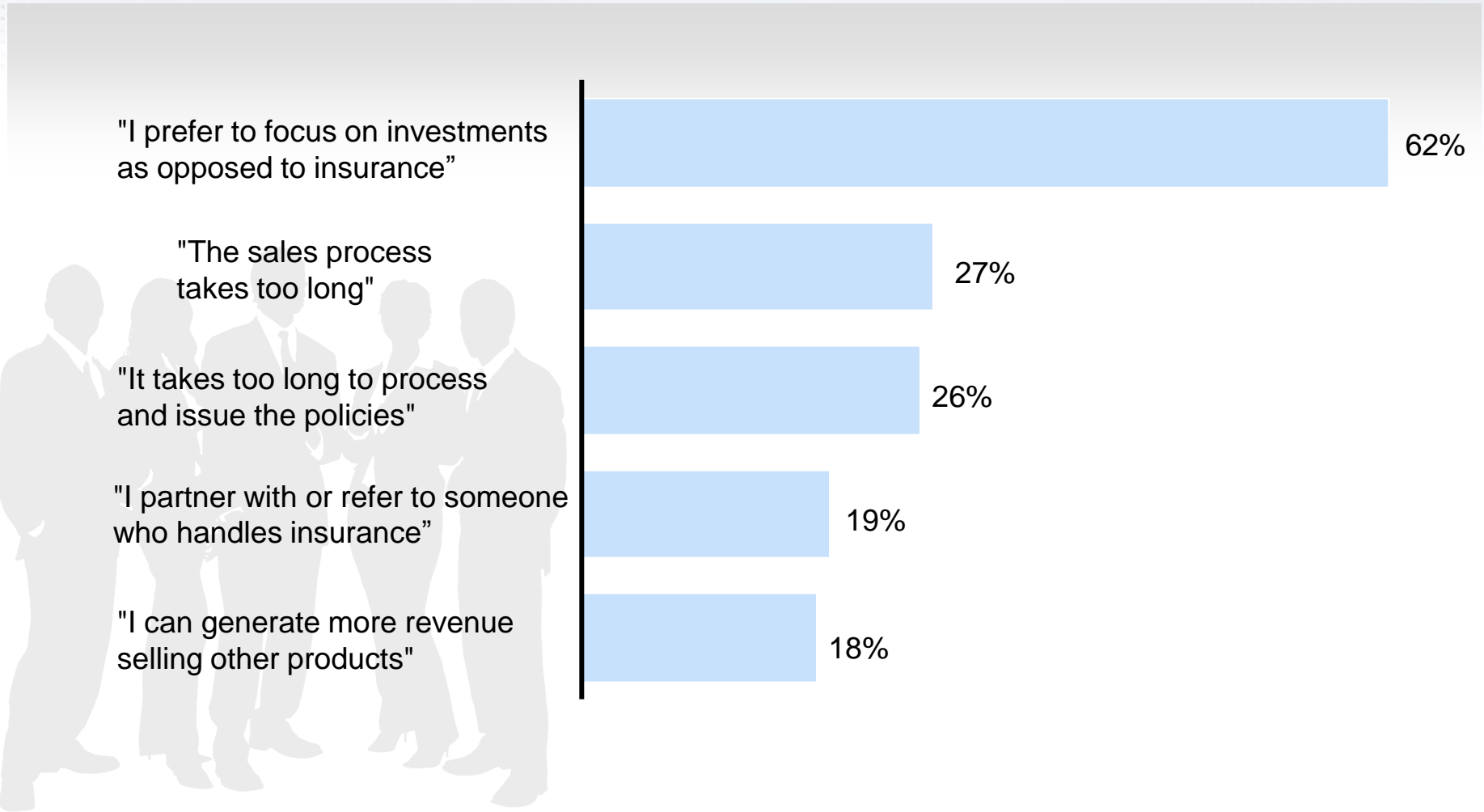


¹ Investment-oriented advisors include wirehouse, IBD and regional broker dealers

SOURCE: LIMRA-McKinsey Financial Advisor Survey 2004, 2012



Top two reasons why investment-focused advisors¹ do not sell more insurance



¹ Advisors with less than 20% of sales from insurance

SOURCE: LIMRA-McKinsey Financial Advisor Survey 2012

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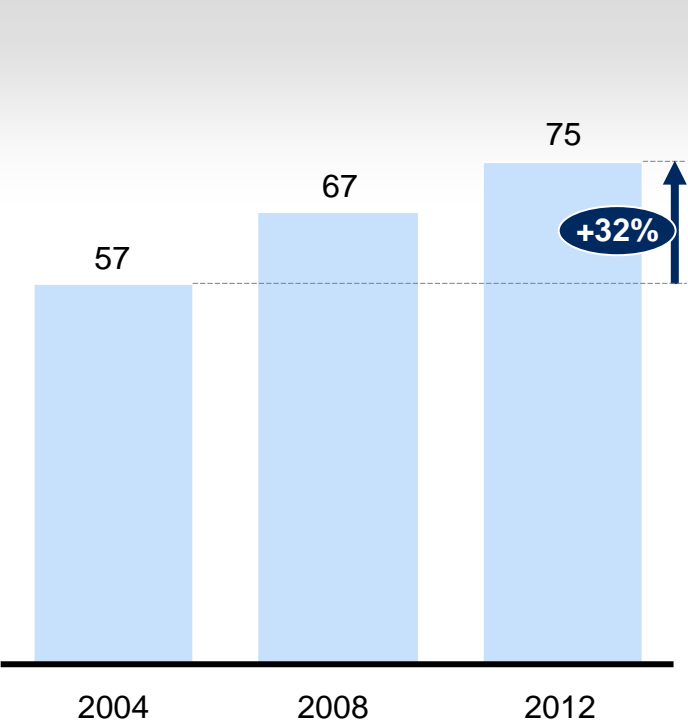
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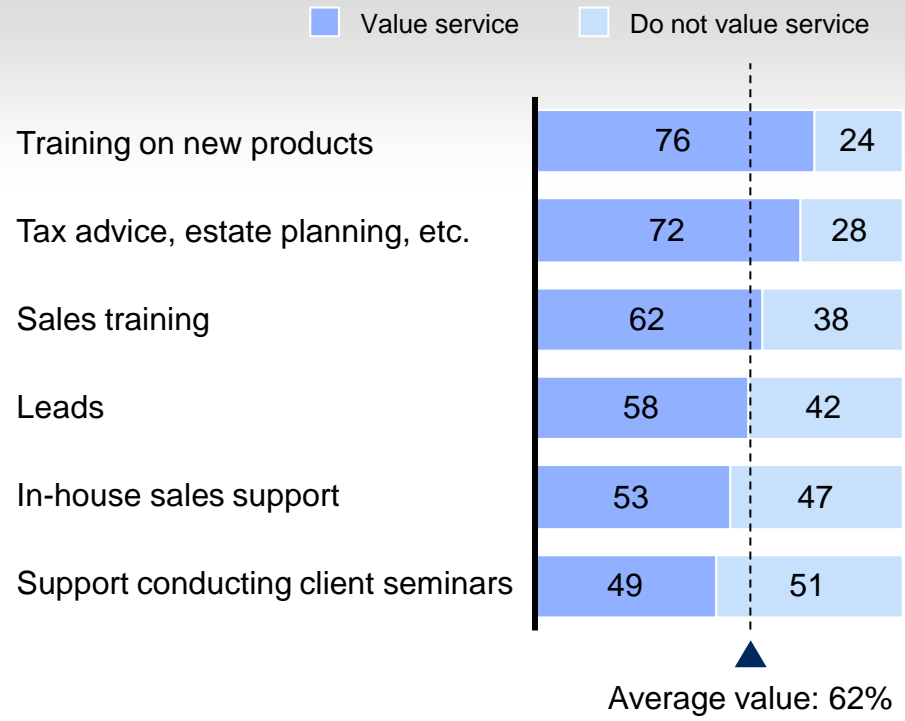
5 OPPORTUNITY TO REEVALUATE SERVICE DELIVERY MODELS

Advisors are receiving about 40% more services than they did in 2004, but many of these services are not valued

Services provided to affiliated advisors¹
Percent of services tracked in survey since 2004



Advisors' perception of value of services provided
Percent

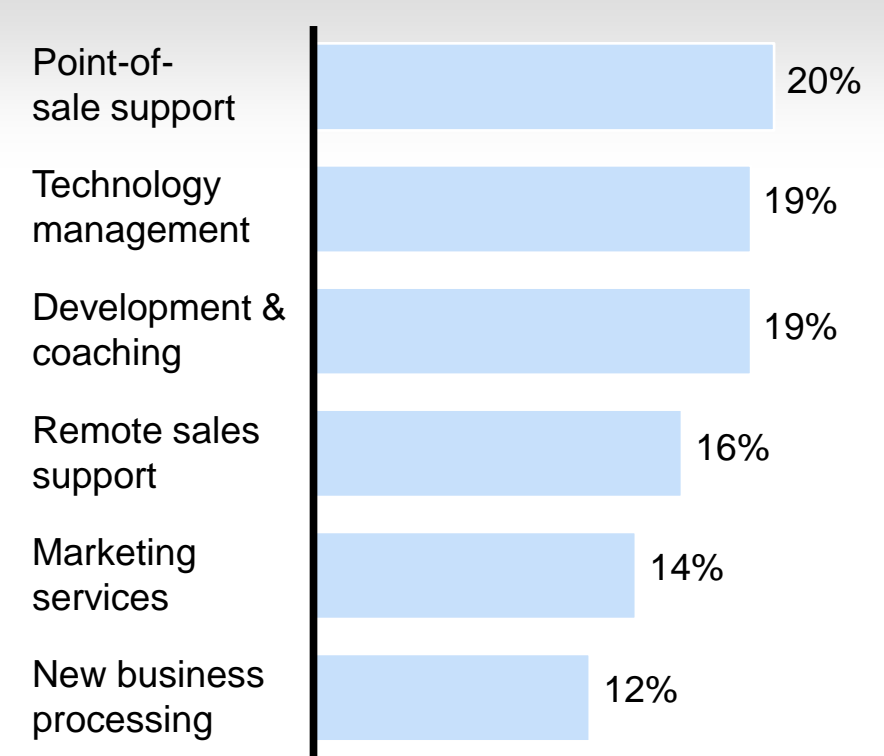


¹ Six services that were consistently asked about over time: sales training; product training; advanced sales support for tax advice, estate planning, special needs; support from product specialists or wholesalers to assist in closing sale; provision of leads; support in conducting client seminars. Affiliated advisors include Career, Wirehouse, Bank and Regional Broker Dealer advisors

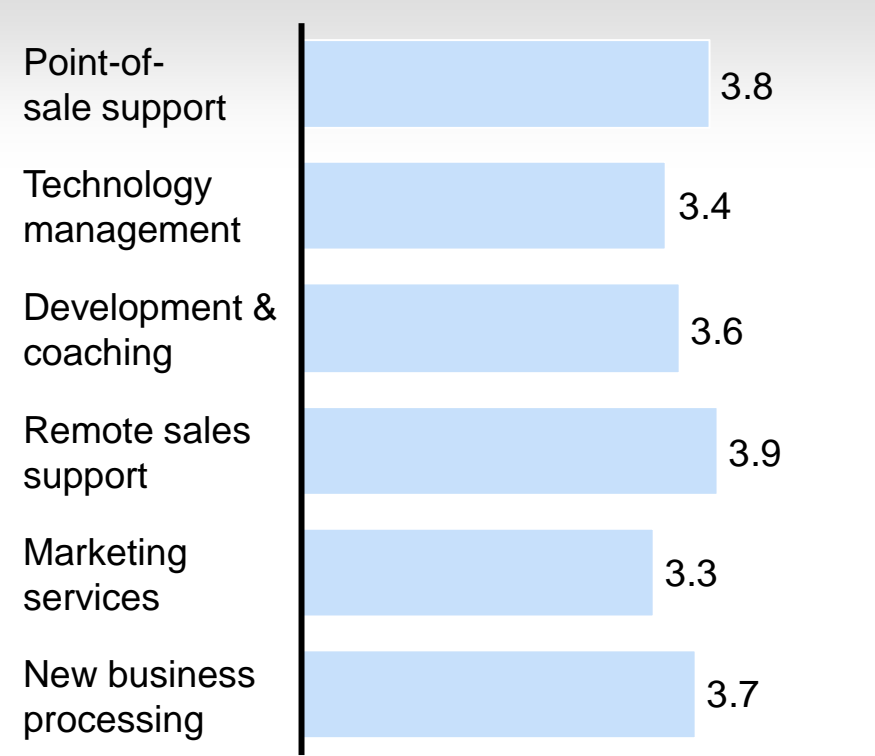
SOURCE: LIMRA-McKinsey Financial Advisor Survey 2004, 2008, 2012

Prioritizing which services to provide to advisors is challenging because advisors say they want support across multiple areas

No one area of support is deemed most critical
Percent of advisors citing area of support the most critical to their practice



Advisor reported service quality on a 5-point scale
5 = best, 1 = worst



SOURCE: LIMRA-McKinsey Financial Advisor Survey 2012

Distributors can re-align spending away from services that advisors do not value

Value
Do not value

Advisor evaluation of services they receive for free, Percent advisors



Average of valued services: 62%

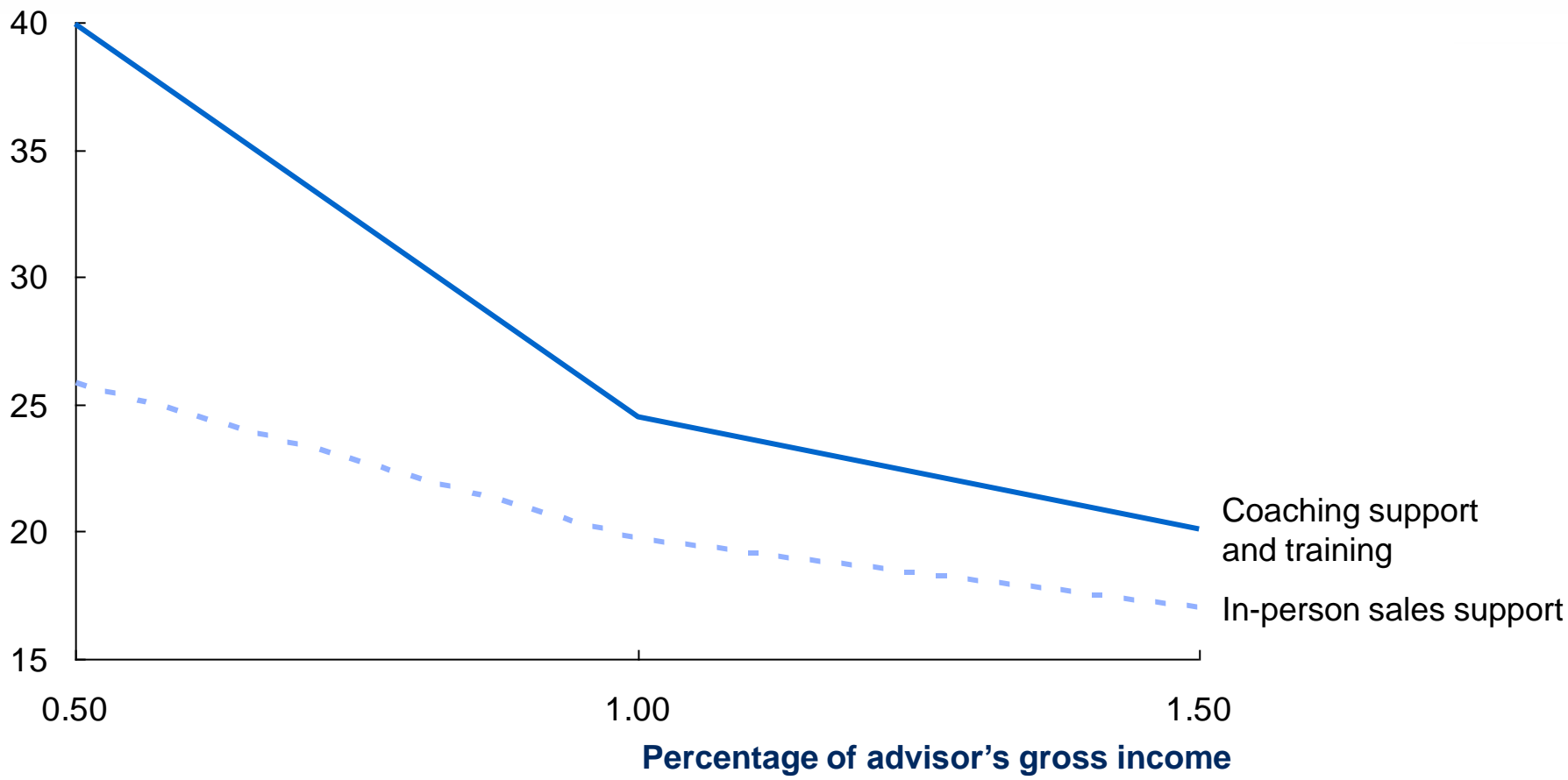
- 15% to 60% of provided services are not valued by advisors
- Remote & in-person sales support services are not valued by those who receive them
- Distributors may consider:
 - Charging for services not valued by many advisors
 - Tailoring service bundles

1 "Value service" rated top 2 boxes out of 5. "Do not value service" rated bottom 3 boxes

Firms may be able to charge for some highly valued services

Advisors willing to pay to receive a given value-added service

Percent of advisors who would pay



SOURCE: LIMRA-McKinsey Financial Advisor Survey 2012

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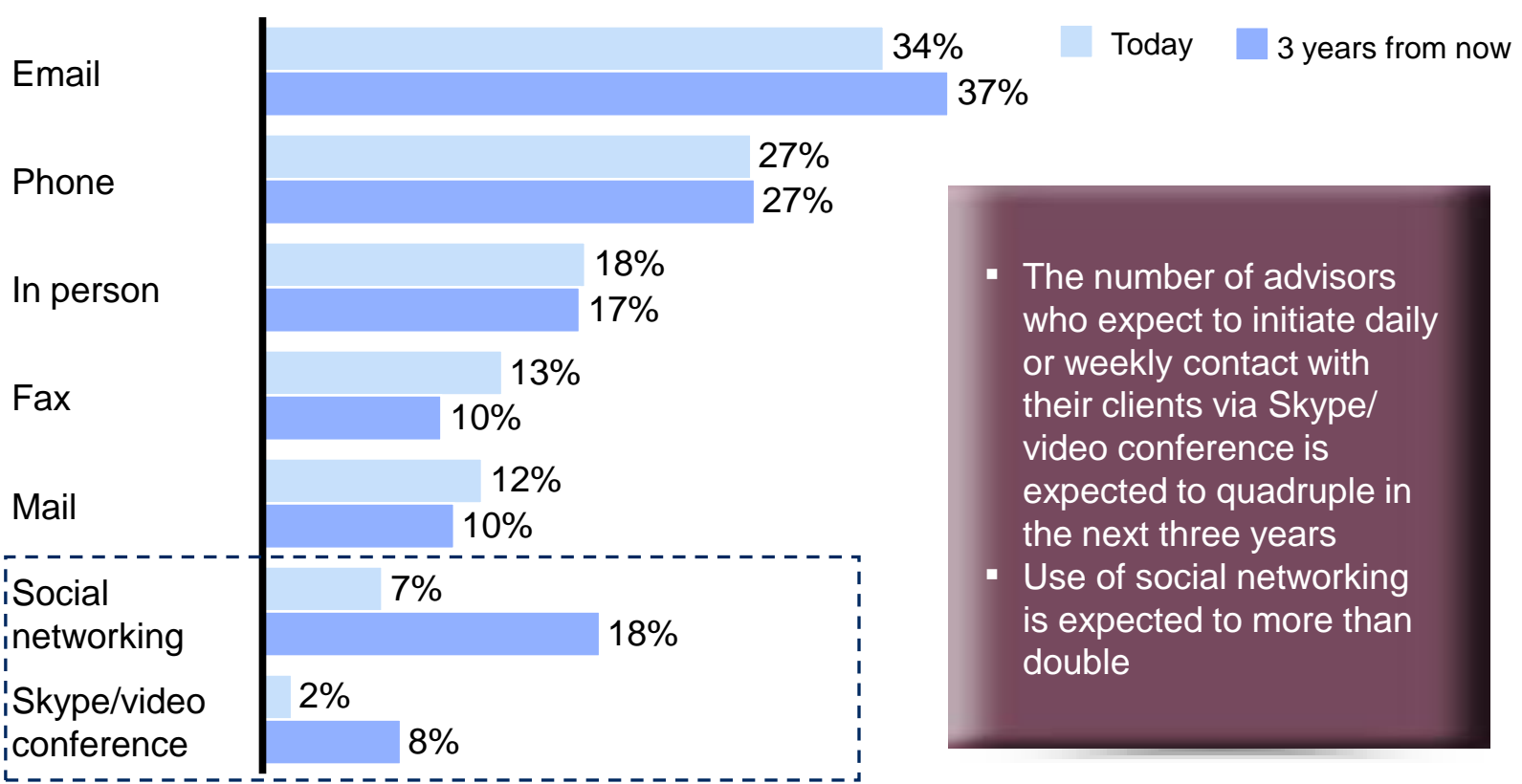
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Advisors say they plan to make more use of social networking and video conferencing to contact their clients

Use of technology for client acquisition & maintenance is expected to greatly increase
Frequency with which advisors interact with average client using the following methods, today & 3 years from now

Daily or weekly contact



- The number of advisors who expect to initiate daily or weekly contact with their clients via Skype/ video conference is expected to quadruple in the next three years
- Use of social networking is expected to more than double

SOURCE: LIMRA-McKinsey Financial Advisor Survey 2012

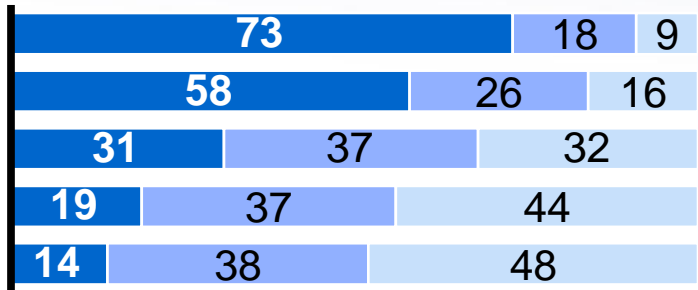
Advisors' interest in smart phones, tablets and social media is high

Percent

■ Currently use
 ■ Would like to use
 ■ Do not use

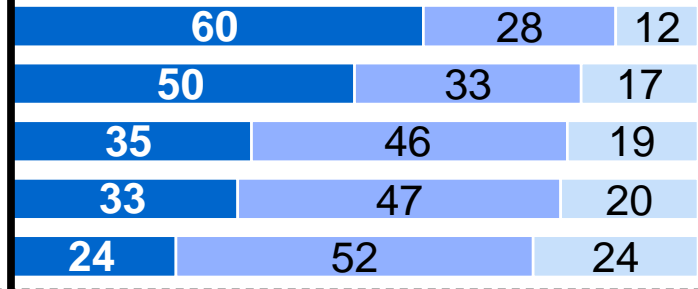
Use a smart phone to...

- Access information
- Obtain quotes while traveling
- Gather data
- Present information
- Train or continue education



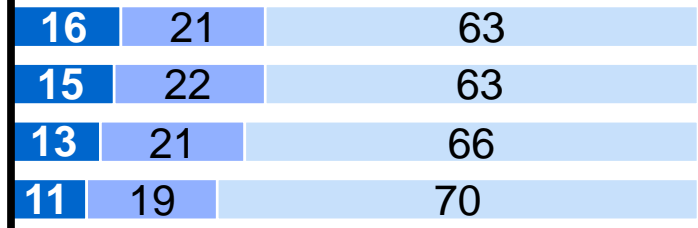
Use a tablet to...

- Access information
- Obtain quotes while traveling
- Present information
- Gather data
- Train or continue education



Use social media to...

- Team communication/collaboration
- Promoting my practice
- Source new clients
- Communicate with existing clients



SOURCE: LIMRA-McKinsey Financial Advisor Survey 2012

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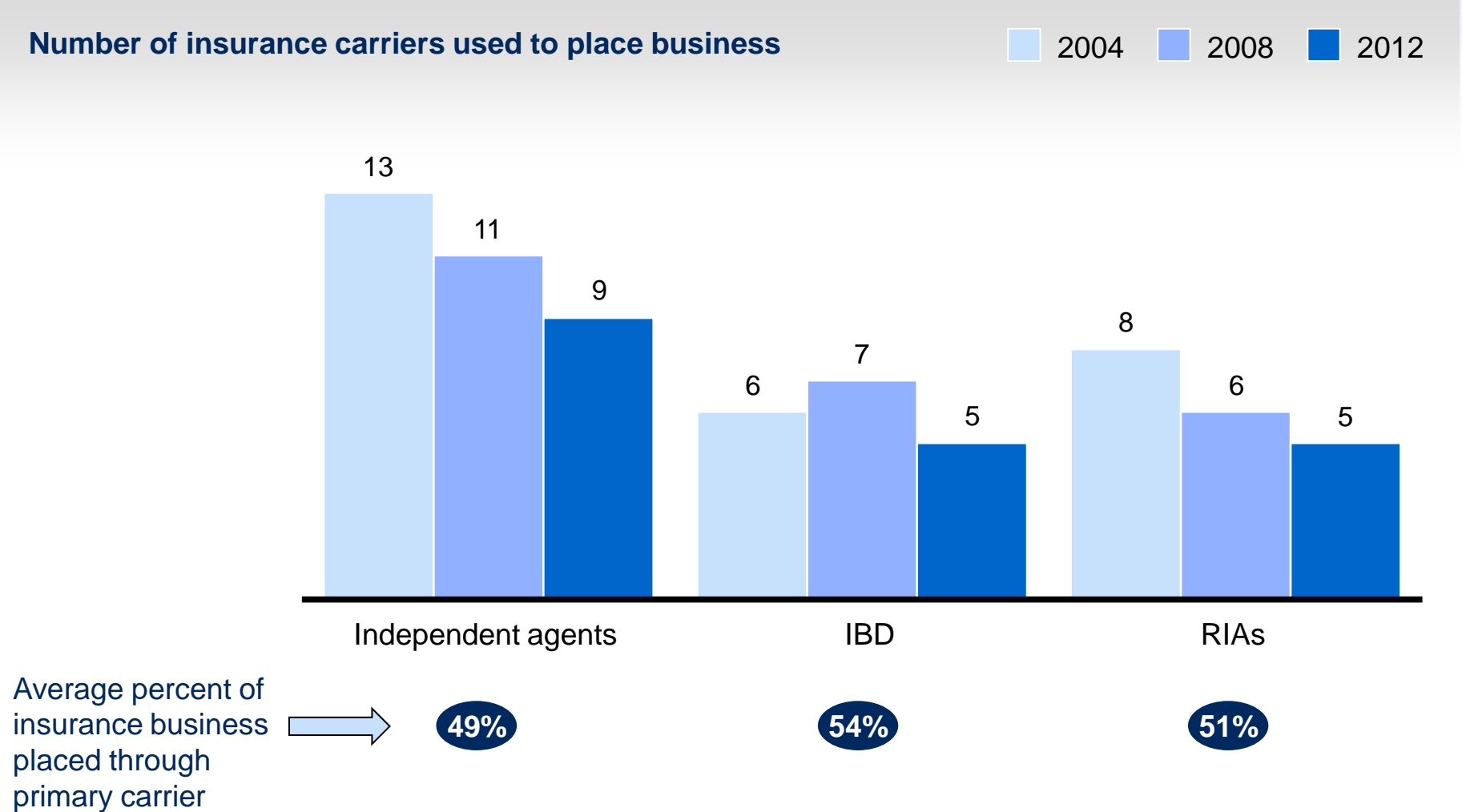
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7 ADVISORS ACTIVELY SCREENING CARRIER PARTNERS

Advisors in independent channels are reducing the number of insurance carriers they do business with, and place about half of their insurance with their top carrier

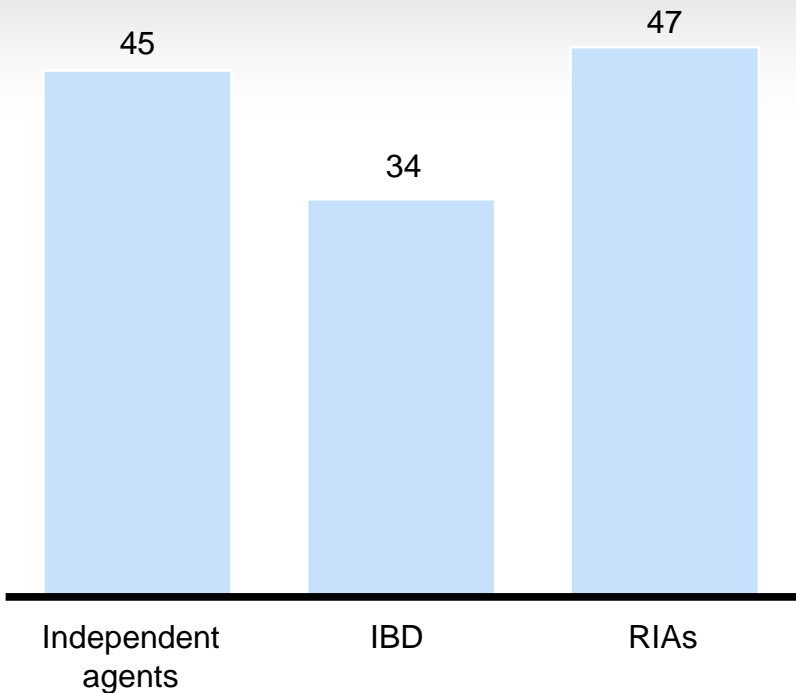


SOURCE: LIMRA-McKinsey Financial Advisor Survey 2004, 2008, 2012

Advisors in independent channels frequently switch insurance carriers, mainly due to non-competitive products

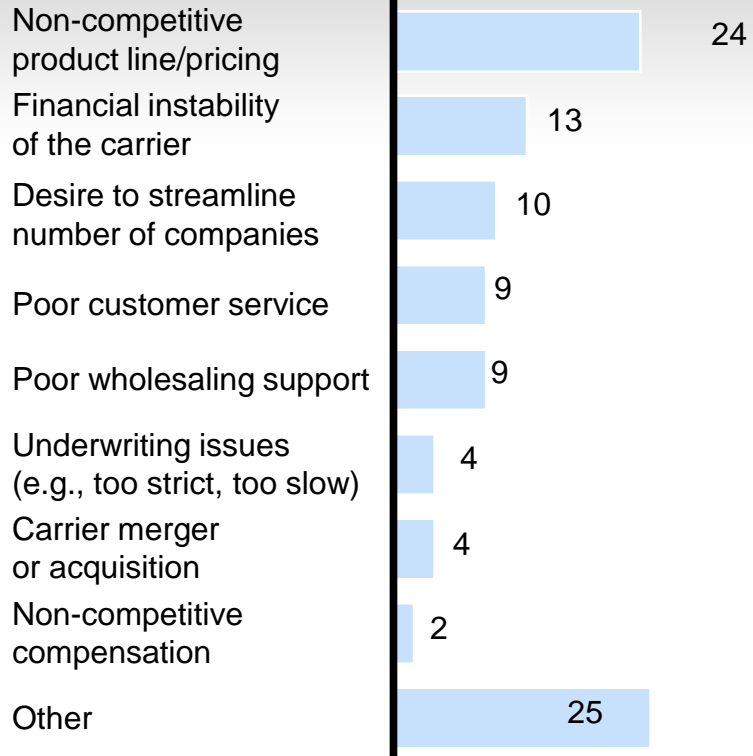
Advisors who have stopped writing with at least one carrier in the past 2 years

Percent



Top reasons advisors cite for dropping carrier

Percent

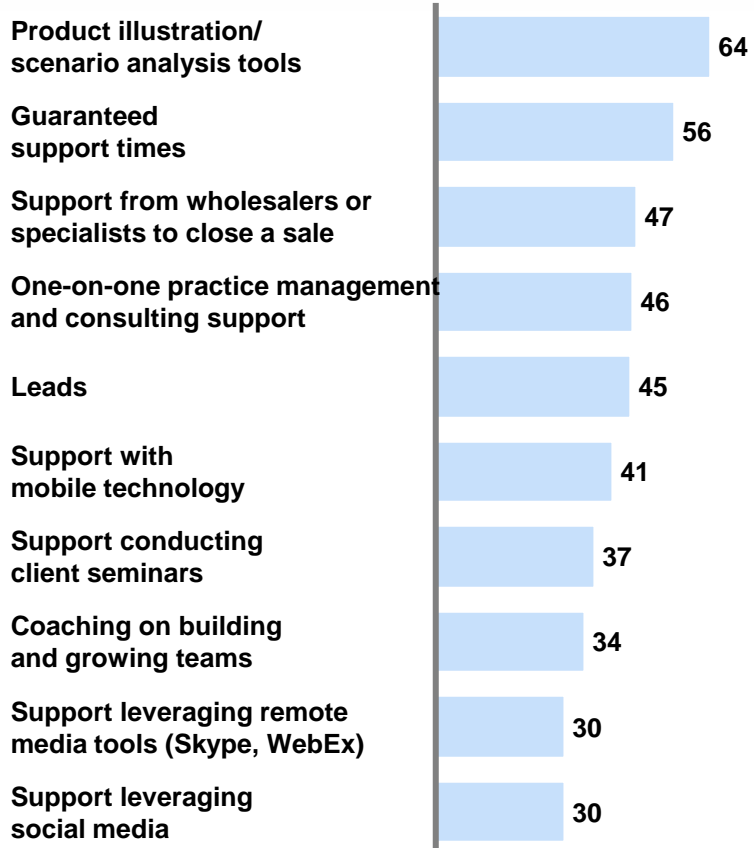


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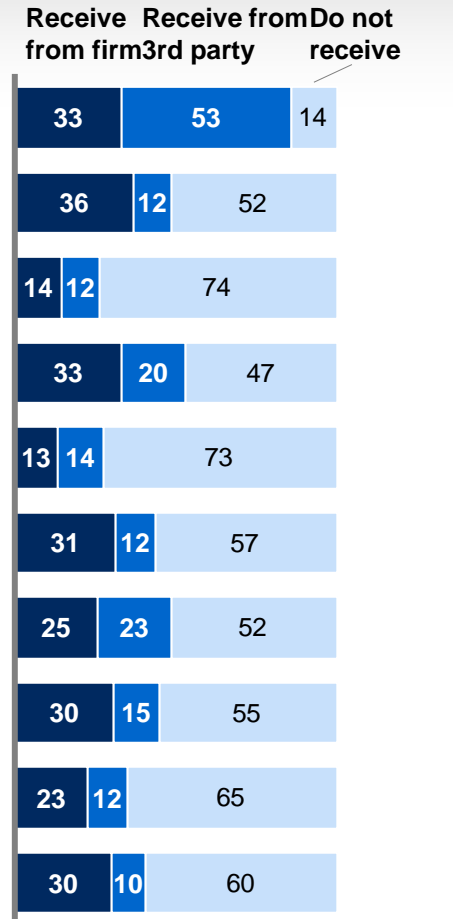
There is opportunity to add value by targeting service delivery to independent advisors¹ who value the support

Quality of service
Average score, 1-5
(Poor → Excellent)

Independent advisors that highly value the service
Percent ranking 4 or 5 on a 5-point scale



Source of services
Percent



Service	From 3 rd party	From firm
Product illustration/ scenario analysis tools	4.1	3.8
Guaranteed support times	3.9	3.8
Support from wholesalers or specialists to close a sale	3.9	3.5
One-on-one practice management and consulting support	3.5	3.7
Leads	3.2	2.9
Support with mobile technology	3.4	3.4
Support conducting client seminars	3.8	3.5
Coaching on building and growing teams	3.4	3.5
Support leveraging remote media tools (Skype, WebEx)	3.3	3.4
Support leveraging social media	3.2	3.3

¹ Refers to only Independent agents, IBD, and RIAs
SOURCE: LIMRA-McKinsey Financial Advisor Survey 2012

For more information

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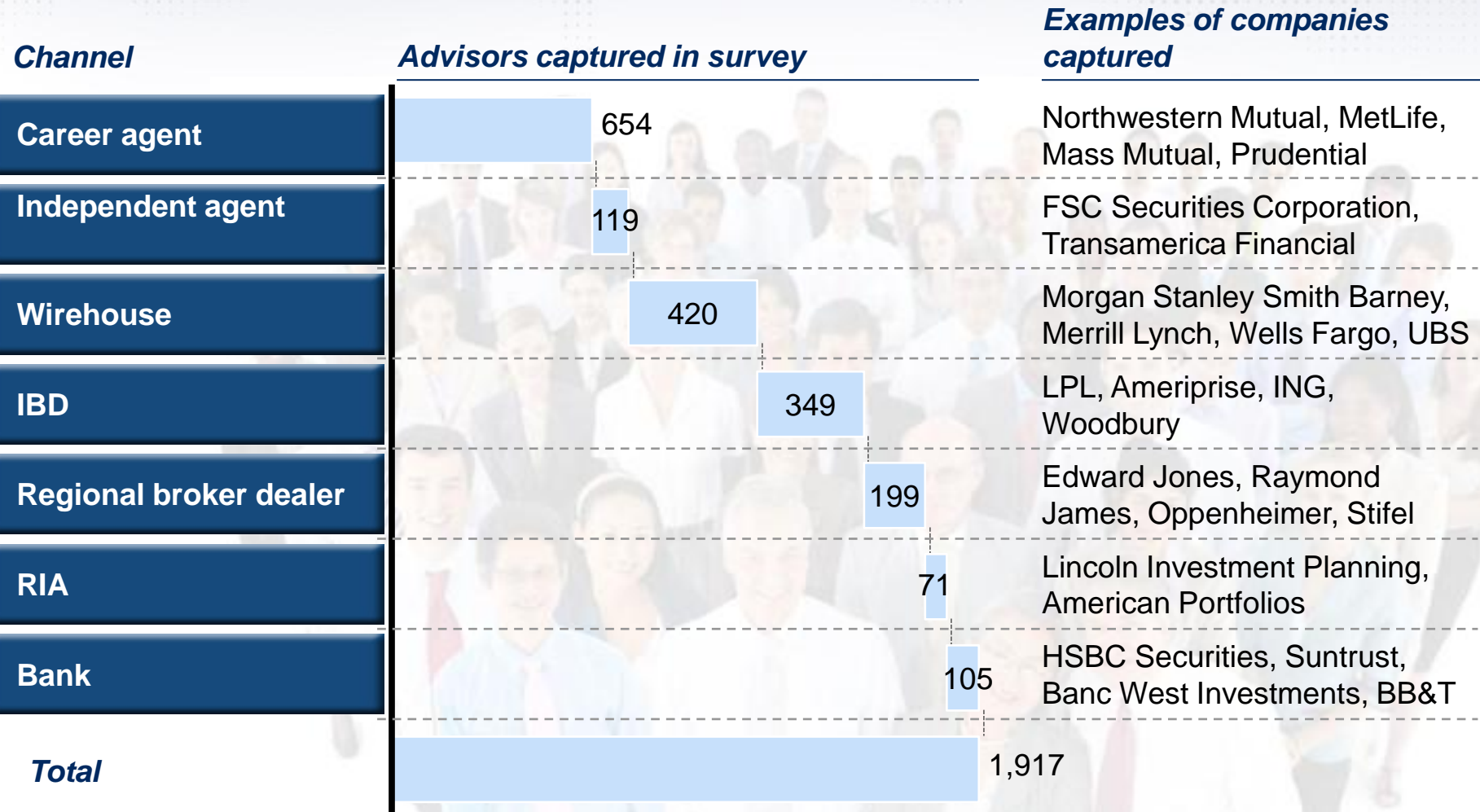
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The 2012 LIMRA-McKinsey Financial Advisor Survey surveyed over 1,900 advisors across six channels



SOURCE: LIMRA-McKinsey Financial Advisor Survey 2012

The 2012 survey covers a broad range of topics critical to improving distribution economics

Main questions

1	Advisor profile/ demographics	<ul style="list-style-type: none"> ▪ Age, affiliation, area of expertise insurance/securities licenses and education ▪ Income and AUM evolution (2007,2009,2011)
2	Product & client mix	<ul style="list-style-type: none"> ▪ Age, income and assets mix of clients; mix of business ▪ Reasons for not selling insurance (for investments only advisors)
3	Business placement approach	<ul style="list-style-type: none"> ▪ Primary carrier and percentage of business allocated to it ▪ Change in carriers and reasons behind it
4	Career phase	<ul style="list-style-type: none"> ▪ Satisfaction, likeliness to stay or leave current firm and reasons for it ▪ Succession plans and likely successors
5	Attitudes & opinions	<ul style="list-style-type: none"> ▪ Attitudes towards: risk-taking, entrepreneurship, compensation, teaming, product innovation, ambition, coaching
6	Value proposition	<ul style="list-style-type: none"> ▪ Evaluation and willingness to pay for practice development support, coaching, external wholesaling, internal wholesaling, technology, marketing services and new bus. processing
7	Technology	<ul style="list-style-type: none"> ▪ Attitude towards technology innovation ▪ Frequency and reasons for use of smart phones, tablets and social media
8	Compensation/ advisor economics	<ul style="list-style-type: none"> ▪ Fee/commission structure ▪ Changes in income and reasons for increase/decrease in income
9	Practice model	<ul style="list-style-type: none"> ▪ Practice model, size and composition ▪ Time allocation to different activities
10	Teaming	<ul style="list-style-type: none"> ▪ Frequency and type of partnering ▪ Reasons for evolving to a teaming model
11	Client acquisition	<ul style="list-style-type: none"> ▪ Degree of specialization in client segments ▪ Sources of client leads
12	Retirement advice & planning	<ul style="list-style-type: none"> ▪ Prevalence of retirement advice and reasons not to provide it ▪ Depth of understanding of clients' life events

SOURCE: LIMRA-McKinsey Financial Advisor Survey 2012

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