

Fee-Based Selling – Opportunities for Agents and Managers

The typical life insurance agent is focused on a single transaction — selling a product in order to obtain a commission. The typical sales manager has a similar focus — encouraging agents to sell products in order to generate the resulting overrides. This transaction focus drives the activity of the life insurance agent to a very large degree. In my opinion, there is a better approach when working with family-owned businesses

To diagram the typical approach to working in the family business market, draw an upside down pyramid. The tip of the pyramid represents the time and efforts spent building a relationship with the business owner — let's say ten-percent of the total. An additional twenty-percent of the total time and effort is spent developing the needs of the business owner. Another thirty-percent of effort is expended developing solutions based on the needs uncovered and the greatest effort — forty-percent — is reserved for closing the sale. This is because the model is based on a transaction — selling a product.

I submit the pyramid should be reversed. Forty-percent of the effort should be directed at building relationships — not with the business owner alone, but with the entire family. Thirty-percent of the effort should be devoted to understanding needs and expectations related to the business — again, not those of the business owner alone, but of the entire family. Twenty percent spent on developing solutions — less than the typical approach because of the extensive fact-finding process employed. Finally, only ten-percent of the effort ends up directed at the close because it is nearly automatic due to the completeness of the previous steps. I call this approach the Family and Business Renewal Process and I charge a wealth transfer fee for the work. This process approach should be of interest to insurance companies and field managers because of the potential for creating planning fee based revenue and frequently selling additional financial products. Let me explain the FBR Process.

The Family as Client

When working with family businesses, I treat the entire family as the client. My objective is to create a plan for the preservation and transfer of the family's entire wealth, not just the business. From the outset, I obtain agreement from the business owner that every family member's expectations and goals related to the business are important. In order to do that, I must create a plan that will reflect the needs, desires and expectations of the entire family.

To develop the information I need, I personally interview every member of the family — including spouses. I interview every family member in a "safe" setting where they can be comfortable sharing open, honest answers to my questions. In addition to the business and financial issues I ask about family relationships, communication problems

affecting family members and probe expectations related to the future of the business and their perceived role in it.

Once the information is obtained, I work with other trusted advisors of the owner to develop a new wealth transfer plan. I use computer software I have developed for this purpose. The software creates a new report that describes the current wealth transfer plan and makes recommendation for changes. The report is written in layman's language so everyone in the family can easily understand it.

The Family Retreat

The new plan is presented to the entire family at a family retreat. The retreat is conducted at a neutral site, such as a hotel or resort, where there will be no distractions. Every adult in the family is invited and attends. I begin by asking each family member to respond to three questions, 1) "what do you expect from the retreat?" 2) "What do you admire most about the family and business?" 3) "What would like to see changed?" Their responses are recorded on flip-chart pages and posted around the room. As the new wealth transfer plan is unveiled, I point out how its provisions meet the expectations expressed during the three-question exercise. If I've done the individual interviewing properly, I know my recommendations will hit the mark.

Compensation

My fee for working through the FBR Process with a client family typically ranges from \$10,000 to \$40,000, depending upon scope of work to be completed, complexity and size of family, number of family business entities and value and types of assets. Over the years I generated \$1.3 million of wealth transfer fees and qualified as lifetime member of MDRT and Top of The Table. I guarantee to refund the entire fee if the client family is not completely satisfied with my work. I find businesses are not reluctant to pay a value added fee once they understand the nature and scope of my work. If I am working with another planner, we split the fee based on the amount of time and effort each puts into the case.

Agents working in this market can enhance their income by using this process, collecting fees and when needed sell additional financial products. Companies and managers can learn to provide training, support and benefit through fee-splitting arrangements. All that is required is for the company, manager and agent to reject the idea that the agent's worth is determined solely by the sale of a product. Best of all, with the FBR Process, the company, manager and agent are paid for the value they bring to the process, regardless of whether or not a sale is made. They're paid for their expertise, not only for a single transaction.

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