

THE SHERIDAN ROAD MAP



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Welcome to the Sheridan Road Map! Your source of monthly insight into the financial world. Sheridan Road provides a one stop financial solution for middle-market companies, their executives and employees. We are the premier provider of Corporate Retirement Advisory, Wealth Management Services and Executive Benefits, by providing holistic and independent advice to our corporate and individual clients. The Sheridan Road Map will provide insight into both historical and topical issues, a calendar of upcoming events, industry news and analysis. "Let us help you navigate your Financial Road!" Visit us at www.sheridanroad.com.

MAJORING IN RETIREMENT



Jim O'Shaughnessy, managing partner of Sheridan Road Financial in Northbrook, IL, is a third-generation retirement plan advisor. His grandfather did it. His father did it. And now O'Shaughnessy has over

100 retirement plan clients with nearly \$2 billion in assets. In 2005, O'Shaughnessy and his partner, Daniel Bryant, made a decision to leave AXA Advisors, their broker/dealer at the time, because AXA would not allow them to act as the co-fiduciary on their retirement plans. After an exhaustive search for a new broker/dealer that focused on retirement plans, they made the leap in December 2006 to National Retirement Partners, which was acquired by LPL Financial in July of last year.

Because NRP and LPL provided O'Shaughnessy with the resources and support to act as a fiduciary on plans, he has been able to increase his assets five-fold and double the number of retirement plan clients since 2007. O'Shaughnessy says plan sponsors look to him to provide investment selection and monitoring inside their plans; acting as a fiduciary, not simply a broker, allowed him to give clients that service. NRP and LPL allow him to act as the fiduciary, whereas not all b/ds do.

"If you're not a fiduciary on the plan, you're not going to be able to provide ongoing advice as to the selection of the investment options," says Bill Chetney, executive vice president of LPL Financial Retirement Partners.

There's no question that the retirement plan space is growing, and with \$3 trillion in retirement plan assets floating around, this provides a tremendous opportunity for advisors to capture these clients. And now some broker/dealers — from LPL Financial to John Hancock — are launching concerted efforts to help advisors win and serve that business. But as the retirement plan business becomes more complex and demanding, especially with upcoming changes to the Employee Retirement Income Security Act (ERISA), reps can no longer dabble in this space, retirement experts say. If you want to make it in the 401(k) business, you need to specialize. Many advisors understand this and are completing designation and training programs, offering special "fiduciary" services, becoming more knowledgeable about ERISA laws, and seeking out 401(k)-friendly b/ds.

"People that are non-concentrated in the retirement space where they're really doing one or two or three plans incidental to their primary business, those advisors are going to come under increasing pressure to almost abandon serving those types of plans," says Chetney. "And that will create more opportunity for the people that have invested and have accumulated expertise."

Dabbling Out, Specializing In

It's clear that the retirement plan landscape is changing, providing a lucrative opportunity for advisors. According to the Investment Company Institute, 401(k) assets have grown from \$2.7 trillion at the end of 2009 to \$3.1 trillion at year-end 2010. Fred Barstein, founder and executive director of The Retirement Advisor University (TRAU), a collaboration with UCLA Anderson Executive Education, says there's

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more of an emphasis in corporate America on 401(k) plans these days, with about 625,000 defined contribution plans nationwide. But 115,000 of those plans don't have an advisor to the plan itself, Barstein says. In addition, IRA rollovers are expected to represent 40 to 50% of wealth manager net new money between 2010 and 2015, according to McKinsey & Company.

Meanwhile, the regulatory environment is shifting. The U.S. Department of Labor has proposed a rule that would change the definition of a fiduciary to a retirement plan under ERISA. Another change, which takes effect April 2012, requires all providers to disclose fees and services, and acknowledge fiduciary capacity to clients in writing.

"There's a perfect storm of disclosure coming, between 408(b)(2), which is the plan level disclosure, 404(a)(5), which is the participant-level disclosure, and then this impending change to a fiduciary standard," says Bruce Harrington, head of retirement sales and strategy for John Hancock Financial Network. "So I think in the next 18 months, there's going to be a lot that's going to happen that's going to shake up business. And I think those advisors that are focused and specialized in the 401(k) space will have a great opportunity, and those advisors who choose to stay as generalists are going to find it more competitive."

According to Barstein, of the 300,000 FAs actively selling to the public, 15,000 have at least five plan clients, while 5,000 FAs are considered "focused" on the retirement space, with 10 or more plans. "We think that's going to grow to 10,000 in the next five years," Barstein says.

LPL's Chetney says about half of all advisors have at least one plan client, but the increasing complexities will drive the dabblers out of the business.

"I am definitely seeing FAs now saying, 'Not only do I think retirement is a good business, but I want to put almost the entirety of business around plans,'" says Kevin Crain, head of institutional client relationships for Bank of America Merrill Lynch.

Tim Eyerman, a retirement plan consultant with E&M Consulting, an affiliate of Raymond James & Associates, managed to pick up a \$10 million plan from a retail clothing chain, which already had an advisor on the plan. Eyerman scored a conversation with the plan sponsor after the company's human resources director attended one of the firm's seminars, aimed at educating the retirement community on issues related to plans. The plan sponsor was attracted to Eyerman's specialized and user-friendly tools.

"401(k) plans are absolutely predictable," says Steve Johnson, a branch manager for Raymond James Financial Services in Draper,

UT, who does a lot of retirement plan business. The revenues from these plans are consistent, he says, and participant contributions provide natural growth. Johnson started seven years ago with about \$12 million in retirement plan assets; today that's grown to \$170 million.

"The ones that are specializing in it are growing their business at a rapid rate," Barstein says.

Building Out the Resources

Barstein says there are only 25 broker/dealers that have at least one person on staff dedicated to the 401(k) space, but more advisors are turning to their b/d to help them become specialists. Recently, some b/ds have been stepping it up, building out their retirement plan businesses and offering more services and resources for these advisors. B/ds are doing it

not only as a way to capture new clients, but also as a way to lure retirement plan advisors who are looking for a firm to support their business model.

In July of last year, LPL announced its acquisition of NRP as part of an overall effort to segment its advisors according to specialty. Since then, Chetney and his team have been building out the LPL Retirement Partners platform, and now the firm has more than 43 back-office

staff dedicated to retirement plans across LPL's departments. The firm has attracted 50 new retirement plan advisors since the acquisition.

In June, John Hancock Financial Network launched a new defined contribution consulting program to help advisors expand their retirement plan business. The new program includes in-person and online training, practice management consulting, access to dedicated retirement consultants to help advisors grow their business, and a new 3(21) fiduciary program, so advisors can act as a co-fiduciary. A 3(21) fiduciary, as outlined by ERISA, allows the advisor to provide advice for a fee, but the plan sponsor retains discretion over the investment decisions in the plan. Year-to-date, John Hancock's 401(k) assets are up 15%.

"We're also doing this to help attract advisors that want a place that's friendly to 401(k)-focused advisors," Harrington says.

A year ago, Merrill Lynch launched a designation program for advisors serving middle- to large-market retirement plans, says Crain. Advisors can be designated by the firm if they meet certain criteria, such as years of experience in 401(k)s, number of plans they serve and growth in their business. As of July, more than 65 advisor teams, representing 160 advisors, were among the first to receive the designation.

Advisors who are designated under the program will get referrals from the Bank of America Global Commercial

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Banking and Global Corporate & Investment Bank on plan assets of \$10 million or more. Year-to-date through July, the referral program has resulted in 220 new clients totaling more than \$3.8 billion in new assets.

After getting designated, Bruce Gsell, wealth advisor and managing director of investments for Merrill, won a \$25 million 401(k) plan earlier this year through a bank referral. He's also in the finals for a \$24 million plan, another bank referral.

Morgan Stanley Smith Barney has also been investing in this side of the business, adding staff dedicated to retirement plans as well as paid provider search and fee benchmarking services. Jim McCarthy, managing director and head of wealth advisory solutions, Morgan Stanley Smith Barney, says the firm also holds regional retirement forums for people interested in the retirement business. The events are designed to help advisors build the scale needed to support plans and move up the ladder. Also, in late September, MSSB expanded the number of funds for which reps can provide a fiduciary recommendation to retirement plans. The list will expand from 300-400 choices to more than 1,000.

Ginger Brennan, head of national distribution management at ING, works with b/ds that are building out their retirement plan business, and over the last couple years, she has seen more b/ds segmenting these advisors. A year ago, ING rolled out its "GROW" kit, a written guide for advisors that includes sales ideas and techniques for growing this business.

Getting Over the Fiduciary Hurdle

Clients are also looking more closely at fiduciary responsibility, Brennan says, and many advisors are either taking on that fiduciary responsibility themselves or offering fiduciary services as part of their specialization.

Many broker/dealers don't allow their advisors to act as the fiduciary on the plan, but retirement plan advisors want to offer this service as a competitive advantage, says Merrill's Crain. According to Boston Research Group's 2010 DCP study of retirement plan advisors' attitudes and behavior, 44% of advisors said their b/d or licensing organization considers them to be a fiduciary to their plan clients, although this is up from 31% in 2005.

"Most broker/dealers are not allowing their advisors to be fiduciaries because they don't have the structure to train and oversee it," says LPL's Chetney.

In addition to John Hancock and LPL, other b/ds are listening to advisor demand for fiduciary capabilities. Merrill expects to offer a certain level of plan fiduciary services through a restrictive group of FAs by the end of the year. Crain says advisors see the service as an entrée into a client relationship because it's something plan sponsors are asking for. Rather

than seeking the fiduciary service elsewhere, Merrill FAs can have a competitive advantage and hold onto the client.

UBS Wealth Management already allows its advisors to perform investment selection and monitoring for plans under Section 3(21) of ERISA, which means reps can make a recommendation to the plan. The firm is expanding its capabilities to provide fiduciary services under Section 3(38), which means the firm will assume full discretion for selecting, monitoring and replacing investment options.

For those advisors who cannot act as fiduciaries, many plan service providers are contracting with third party firms who will act as the fiduciary instead. Some advisors don't want to take on the additional risk of being the fiduciary, and these third-party arrangements allow them to hold onto that

business, says Dominic Falaschetti, senior vice president of investment strategies at Mesirow Financial, which offers these services.

"We've built a really flexible business model that enables these brokers and advisors to better service their plans and retain those relationships," says Falaschetti.

This type of service takes the investment advice and recommendations off the table, so FAs can achieve scale and spend more time on other things, such as plan design issues, plan distribution options, and enrollment eligibility, says Chris Giorgi, vice president of advanced markets for AXA Equitable's employer-sponsored division. AXA partners with Wilshire Associates to offer fiduciary services to its plans.

Nationwide Financial started offering 3(38) services through IRON Financial in June. Because of the increasing complexities and specialization in the retirement space, there's a greater need for outsourcing fiduciary services, as it becomes harder for FAs to stay on top of everything, says Anne Arvia, senior vice president of retirement plans for Nationwide.

New York Life Retirement Plan Services, part of New York Life Investments, contracts with Morningstar Investment Services to provide this fiduciary service.

For advisors who want to become specialists but don't have the bandwidth to commit to investment consulting and monitoring, outsourcing could be the way to go, says Estee Jimerson, director of relationship management and business development for Morningstar Investment Services.

"Most broker/dealers are not allowing their advisors to be fiduciaries because they don't have the structure to train and oversee it"

YOUR BEST INVESTMENT EVER?

To an investment advisor struggling to move forward, hiring a coach may be the best investment you've ever made.



As adults, we feel best about ourselves when we grow, change and become more whole over the course of our lifetime. It makes sense to hire someone—a coach—whose support and insight can help make this

journey more successful and

less lonely.

Most of us have been coached before. Maybe by Mom or Dad, by that fearsome figure in sweats blowing a whistle in gym class or by a friend helping us muster the courage to take a scary step. The coach is an iconic figure in every hero's quest.

If you've never worked with a professional coach, you're bound to have questions: What could a coach do for me? What kinds are there? How much does it cost? To help more advisors find the best kind of support for themselves and their clients, I explored some of the ins and outs of this burgeoning industry.

The Practice Management Coach

Advisor Eric Brotman believes that in business, athletics or academics, the top performers always have a coach.



Eric Brotman, a CFP who is president of Brotman Financial Group in Lutherville, MD, has been working with an executive coach for 12 years. He told me, "When we started, I was getting ready to be the junior partner in a new financial planning firm, and I thought she could help me speed up my professional development.

After four years of coaching, I elected to start my own firm, and I used my coach every step of the way, from conception to design to implementation. She helped interview job candidates and was instrumental in the design of the new firm."

But that's not all, Brotman says. Over the past eight years, this coach has facilitated the firm's client advisory board meetings and quarterly employee team retreats. She's conducted one-on-one coaching for each of Brotman Financial's employees from time to time, "and has always been a sounding board for me."

Brotman considers his coach to be an invaluable member of the team. "She has helped our firm grow from a startup to a top firm within our independent broker-dealer in under a decade," he says. "When a challenge or opportunity presents itself, she is the first call I make."

To this experienced advisor, being coached can be an advantage to anyone focused on success. "In my mind, whether in business, athletics or academics, the top performers always have a coach."

The Behavioral Coach

Denise Federer says that "Eventually, we all hit the wall. My role is to partner with my clients to help them get out of their comfort zone so they can achieve that next level."



There's another type of business coach: one who helps people overcome their resistance to success, personified by Denise Federer, Ph.D., of Federer Performance Management Group in Tampa, FL. A behavioral psychologist, Federer told me that "the person who works with me wants to understand

what prevents them from taking action steps that they know they need to take." Advisory firms hire her to coach their top executives and advisors, individually or in teams. Sometimes she works directly with their clients, helping them deal with family financial issues that impact decision making.

By and large, her task is to make it possible for people to take a leap forward. "Eventually, we all hit the wall," she says. "We keep doing what we did before, but that won't get us to the next level. My role, as I see it, is to partner with my clients to help them get out of their comfort zone so they can achieve that next level."

Federer coaches individuals in two phases. "In the first phase, we identify their resistance to readiness for success and the factors that are limiting them," she explains. "We create a behavioral master action plan to help them identify their outcome goals—for example, an increase in production, assets under management or number of new clients—as well as process goals such as holding client events, doing client reviews, asking for introductions from other experts and increasing their professional expertise or areas of specialization."

In Phase Two, clients implement their new understanding, incorporating specific suggestions from people who know the financial advisory industry inside-out. Depending on the clients' need, Federer may handle this herself or refer them to a specialized financial coach.

Coaches Are Not Therapists



"Therapy deals a lot with family-of-origin material...and making peace with the past," says Lynn Grodzki. "Coaching looks at the present going forward."

Clearly, coaching entails a lot of psychology. However, most coaches don't stray over the line into therapy. "I see therapy and coaching on a

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continuum in terms of personal growth," says Lynn Grodzki, LCSW, of Silver Spring, MD. A clinical psychotherapist since 1988 and a master certified coach since 1996, Grodzki has taught coaching for 11 years and has written five books for therapists and coaches, including *Crisis-Proof Your Practice: How to Survive and Thrive In an Uncertain Economy*.

"Therapy deals a lot with family-of-origin material that may be unconscious," she told me. "Coaching looks at the present going forward. It's often more short-term, more focused on solutions and action, and it's about living into a good future."

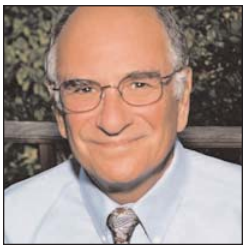
As a business and executive coach, Grodzki usually works with the owners or CEOs of small businesses, including advisors. Before the recession and the debt ceiling crisis, she would hear mainly about general managerial and ownership issues.

Since the market crash and recession, another theme has emerged. "Advisors are doing a lot of hand-holding with their clients, and this is wearing on them," Grodzki explains. "We discuss strategies to impart client confidence: how you talk to the client, how often, what to talk about, how to make them feel secure, how to set realistic expectations. If profits are down and everyone is working harder, how do you keep up morale?"

Burnout is a related complaint. "One of the owners I'm coaching says he never gets to go home now," she reports. "He has to work longer hours just to keep the clients he now has. And a lot of advisors had hoped to be retiring at this point, but their own investments are down. There are health issues as they age. A big part of my job is helping these financial advisors think out of the box, because the business is different now."

The Coach as Catalyst for Change

The pace of coaching should be based on what the person being coached needs, says Ed Modell. Fast enough that there's momentum, yet slow enough so that they have time to reflect on the discussion.



Ed Modell was a self-described "workaholic litigator" when minor surgery led to a health crisis that kept him in a medically induced coma for three weeks. After recovery, he re-evaluated his life choices, discovered that he loved coaching and now is president of the International Coach Federation. He

told me, "I'm the poster child for the value of coaching in turning your life around."

To Modell, coaching is a relationship in which the coach acts as a catalyst to help clients uncover the solutions to their problems and achieve their goals. "We do this by asking what we call 'powerful questions' to help the client see the issues with a different lens, or different perspective, than before."

Modell said some people hire a coach to work on a specific issue, while others make coaching part of an ongoing support system. The frequency of sessions is a matter of negotiation between the coach and the client, varying from once a week at the outset to perhaps once a month later on.

The pace of coaching should be based on what the person being coached needs: fast enough that there's momentum, so the person can test things out and see progress; yet slow enough so that they have time to reflect on the discussion, think about new ideas and practice new behaviors before coming back to the next coaching session.

Coaches usually confer by phone. Sessions typically last from 45 minutes to an hour, and the cost may range from \$100 per hour for life coaching to \$500 per hour for executive coaching. Other coaches told me their usual rate is \$150 an hour and up; one charges \$600 per month for two sessions.

Coaching a Group

How does a person decide whether to pursue one-on-one coaching or group support and collaboration? Ginger Cockerham says it's a matter of individual preference.



Formerly a journalist, teacher and small business owner, Ginger Cockerham realized when she heard a presentation by a coach that that was her calling. Now the owner of Cockerham Coaching Group in Dallas, she has held the ICF's highest designation as a master certified coach since 1998 and has taught coaching

at Columbia University.

Trained to coach individuals, Cockerham became a group coach when one of her clients, a director at Northwestern Mutual Financial Network, started a coaching program at the company to promote retention of talented women. Beginning with two groups of seven or eight participants in various offices who interacted by phone, the program expanded to 10 groups within two years.

"Here's the key: They came in by choice," Cockerham says. "When people are assigned to be there, they always have an excuse [not to participate]. But if they choose to be there, it becomes their group."

A group's objectives are sometimes quite specific. Not long ago, an insurance company brought Cockerham in to help create more top producers capable of qualifying for the industry's Million Dollar Round Table. While coaching a group like this, she will also conduct what she calls "laser coaching" with individual participants: 15-minute sessions on a specific issue.

How does a person decide whether to pursue one-on-one coaching or group support? It's a matter of individual preference, Cockerham says. She adds, "I've found that most people in financial services like to be with other peers who are doing well, so they can get the inside scoop on what others are doing and incorporate it into their own practice."

When Coaching Is Not Enough

When a client has behavioral issues, Kol Birke suggests it would be helpful to refer out to a coach or therapist, "Just as you would to a qualified estate planning attorney if your client has estate planning needs."

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“A lot of times advisors feel overwhelmed with a client’s struggles,” says Kol Birke, a financial behavior specialist with Commonwealth Financial Network. “Maybe they’re spending too much or not getting their will signed, or the husband and wife are disagreeing.”

Birke has been at independent broker-dealer Commonwealth Financial for 12 years and has been coaching advisors by phone for about five years. Ideally, he says, the coach can help the advisor fix the problem; but sometimes it’s beyond the scope of what an advisor can handle. He suggests, “Just as you would refer out to a qualified estate planning attorney if your client has estate planning needs, it’s helpful to refer out to a coach or therapist when a client has behavioral struggles.”



How can you urge a client to take this step in a comfortable, nonjudgmental way? Birke suggests saying, “You came to me to help achieve your financial goals. If you went to your doctor and needed to exercise for your health, they might refer you to a personal trainer. A number of my clients have found it similarly helpful to work with this coach.”

The biggest factor for success, Birke points out, is the fit between client and coach. It doesn’t matter so much what their specialty is if there’s a great fit between client and coach.

Getting Started: How to Choose the Right Coach

How can you find the coach and the kind of coaching that are right for you? Here’s what I would suggest:

- Write down your goals, hopes, dreams and areas of struggle. What do you hope a coaching experience will do for you?
- Think about whether you learn well in a one-on-one setting or whether learning in a group suits you better.
 - Decide how much money you can invest in being coached. In a large company, your employer may help.
 - Assemble a list of possible coaches to interview from friends, colleagues, articles and other research.
- Once you start meeting coaches (often by phone), trust your gut. If the chemistry isn’t there, it makes sense to continue shopping around.
 - Give yourself a period of time to try the relationship—a few months, perhaps. Then step back and ask yourself if you are getting what you want and need.

When coaching works well, you are the one crafting the life you want, with the help of a trusted professional. You will feel more self-respect and a greater sense of well-being. And that, after all, is what each of us is looking for.

By Olivia Mellan • Investment Advisor, November 2011



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