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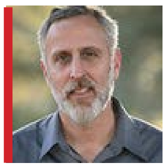
The Retiree

Advisor Finds Hot Market: Other People's Clients



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Mike Kaselnak, advisor coach.

Traditional marketing no longer works, traditional sales no longer work — but there's one thing that has been working out extremely well for Mike Kaselnak and the advisors he coaches: taking other advisors' clients.

Principal of the 5Q Group, Kaselnak is at pains to stress he does not ask a prospect to change advisors.

"I have a rule — never invite yourself in," the Rochester, Minn.-based coach tells ThinkAdvisor. "They must tell me that they want me to become their advisor. I never suggest to them that I become their advisor. It may seem like semantics, but it is a huge difference."

But in years of coaching advisors using this method, Kaselnak says that 50% of prospects consistently make the switch.

What's more, Kaselnak puts his money where his mouth is by fronting the marketing costs his trainees face; declining to receive payment directly from the advisor for increased business but rather receiving compensation only through revenue sharing; and by documenting just how financially successful his approach has made him.

The story of Kaselnak's unconventional approach to increasing production starts with his early years of financial failure as an advisor. In eight years working for a variety of broker-dealers, and even getting a CFP mark, Kaselnak never managed to earn more than $50,000 a year.

"I nearly quit the business," Kaselnak now recalls. But his wife humorously protested: "You're saying the client is stupid! You're stupid!"

A psychologist at the nearby Mayo Clinic, Kaselnik's wife turned him on to "motivational interviewing" as an alternative to what Kaselnik says advisors do all too often: telling, selling, preaching, teaching.

He started taping his client meetings (with permission) and was embarrassed by how condescending he sounded. Once he adopted this new motivational approach, however, the effect on his business was revolutionary.

In his ninth year in the business, he went from struggling to make $50,000 to earning $350,000 — a sevenfold increase. But his progress didn't stop there. The next year he made $667,000, and the next, $997,000 — 20 times his income three years prior — and this in a relatively small city whose target senior population is just 12,000.

At that point, Kaselnak realized that doubling his income would require him to go from his then 40 hours a week to 80 hours a week, so he decided to move into full-time advisor coaching. Making "mini me's," as he put it, has enabled him to maintain a 40-hour-a-week lifestyle while vastly increasing his income, a fact he documents by displaying two of his tax returns on a 45-minute video on his website.

The advisor coach's approach is built on a number of fundamental "epiphanies."

The first of those key insights is that an advisor's marketplace consists of a) people with no money; b) people with money who "do it themselves," as he puts it; and c) people with money who have an advisor.

"Knowing that the universe of investors consists primarily of those three categories of people, my goal is to get in front of the last category," Kaselnak says.

The advisor coach says he always tries to be helpful to those with no money, and even with do-it-yourselfers, but it is the prospects who have advisors whom he finds to be "at least open to advice."

The difficulty with this group is "that they don't respond to most marketing They are really hard to get in front of."

That difficulty led to Kaselnak's second key insight, namely that traditional advisor marketing is a fruitless waste of money and completely misdirected.

That is because they are educationally oriented — seminars, radio programs and the like that are geared to establishing an advisor's authority as a financial expert.

But this is a disastrous approach, he says, because retirees (and other populations of investors as well) don't want to spend their time learning, he says. Only do-it-yourselfers want to learn about this dry stuff, so advisors are spending their money attracting the wrong crowd.

Citing separate surveys conducted by U.S. News and World Report and AARP, Kaselnak says retirees spend 9.5 hours a day in sleeping and personal grooming; 7.5 hours in leisure activities; and other portions of the day shopping, taking care of the house and other errands.

They spend just 1.2 minutes a day learning, a number he says is skewed by the do-it-yourself portion of the population, which means that retirees (he emphasizes that non-retiree markets are similarly disinclined to learn) spend no time learning.

"People who have advisors — they don't want to learn about finance," Kaselnak says. "That's why they hired an advisor!

"I can do my own taxes, but I don't because it's tedious, it's boring," he adds, noting the same is true about car maintenance and other mundane activities.

This led to Kaselnak's third key insight: What people really want is fun.

"I maximize results by shying away from learning as a hook to get people to respond to marketing, and instead use fun as an enticement to get people to come," he says.

Kaselnak says prospects are interested in golfing, barbeques, social activity of various kinds — "laughing and having fun," he says.

His latest approach comes from his recognition that people over 50 are terrified every time they can't remember something — like the name of an actor in a movie they saw and want to tell their friends about.

"That's why we do crossword puzzles," he says.

So he organizes fun activities directed at people who don't want to lose their marbles — optical illusions and riddles, among them.

The 5Q Group coach offers a way for advisors to avail themselves of these marketing insights without putting their money up front, noting that advisors are so scarred from spending thousands of dollars on marketing that doesn't work that they are reluctant to spend.

So he offers "a 'pay only for results' model that minimizes the risk of marketing, but not necessarily the cost."

Kaselnak pays the $3,700 prospect list and mailing costs, asking only to be reimbursed $80 for every person who shows up to one of these fun events—and only up to 50 people, thus enabling him to recover his up-front costs.

In Kaselnak's best case to date, when 121 people showed up to an event, the advisor got 71 prospects for free.

(The lowest turnout one of his advisor clients ever got was 16, Kaselnak says, with most events bringing in 40 to 70 people).

From there, appointment ratios range from 50% to 70%, of whom 80% to 90% actually show up. Of those, Kaselnak says 50% become clients (thus transferring their assets from another advisor.)

Kaselnak's advisors then close two to three more times their previous level of business, and they never write him a check. Instead, they just sell their insurance products through him — products the insurance companies only sell through a middleman, anyway, he adds.

"I share in the override. The advisor doesn't take a cut in his pay," he says.

Broker-dealers especially love him because all the extra investment-related sales go directly to the advisor and his firm; Kaselnak gains nothing from that extra business.

So why do clients so readily dump their former advisor and switch to Kaselnak's advisors?

It all comes back to that motivational interviewing that turned around his own business as an advisor. He provides his trainees with a list of 21 questions.

Without ever selling, telling, preaching or teaching, the questions are designed to get the prospect to ask himself whether his advisor has the client's best interests at heart or his own — "to decide themselves if they want to make changes," he says.

"If you do not tell clients what to do, they always make the right decision," he adds.

One of the questions, for example, deals with advanced health directives and whether the advisor has that electronically available in the event of an emergency. Failure to do that, Kaselnak says, undermines all the time and trouble they took to create such a document because in an emergency someone will make a decision without consulting that document.

Kaselnak's questions in other areas such as powers of attorney uncover many areas where he believes advisors are not living up to the job they should be doing.

Busting through production plateaus all comes down not to marketing but to communications excellence, Kaselnak says.

"I teach my guys to be good at both [marketing and communicatinons] but emphasize excellent communication skills once they are in front of a client," he says. "Advisors that are good at communication are far more profitable than advisors that are good at marketing. I'm an excellent example of that."
