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The ties that bind

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Allies are individuals, countries, companies, organizations and associates banded together for the betterment of all involved. They often forge alliances because of what each member can bring to the table, whether it's a skill, a product, an idea or any number of other things. As a whole, alliances tend to be greater than the sum of their parts.

In a benefits landscape that is constantly shifting, brokers find themselves having to wear more hats than they ever have. Their breadth of knowledge cannot be limited to their products and services, as their clients rely on them for ever more information. While brokers do their best to stay ahead of the changes and serve clients at a level they've come to expect, it's becoming impossible to keep up. That's why more and more brokers are forming alliances with other financial and benefit specialists.

Combining talents with someone who can complement one's services and expertise eases the burden of having to know everything about everything, and it can lead to a steady stream of happy new clients.

Lunch and a handshake

In its simplest form, a professional alliance may be an explicit agreement sealed by a handshake. The alliance is built on providing a referral stream back and forth between two complementary, non-competing professionals: a CPA and a financial advisor, an attorney and an estate planner, a payroll representative and a benefits broker.

What brokers really want to look for are what financial professionals call centers of influence, the kinds of people who are involved in other people's financial decisions, whether that be through creating a plan or selling the products — insurance, mutual funds, stocks, annuities, etc. — that comprise the plan. The good news for brokers is that many of those advisors and planners work with business owners on the owner's individual retirement plan. The owner usually needs someone else to take care of the employee benefits side of things.

Scott Goldman is one broker who has enlisted the services of other financial professionals. Goldman, the founder and president of Wall Township, N.J.-based Optimum Benefits Inc. (www.optimumbenefitsinc.com), subscribes to the networking format for building alliances.

"It's a loose affiliation," he says. "Lunch and a handshake is how it gets done. There is nothing documented or formal."

The downside to such arrangements is that the referral stream can run hot and cold, but Goldman doesn't sit back and rely solely on outside referrals anyway. The upside is that when he does get a referral, he can go straight to a company decision-maker and introduce himself knowing that the person already knows who he is and what he does. Goldman's network consists of several types of professionals, but he likes his accountant referrals a lot.

"Accountants are at the highest level," Goldman says. "They have the CFO's ear, the CEO's ear. They are perceived [by the decision-makers] to be at a higher level."

Other people Goldman includes in his circle of allies include a Merrill Lynch representative, a representative of a payroll company, a pharmacy rep who has referred Goldman to physicians groups, a property and casualty insurance agent, and an Allstate agent. He is always on the lookout for other alliance opportunities, knowing that they can only strengthen his own business, and he is looking for ways to expand the niches in which new allies operate.

One thing he makes sure to do regularly, even if leads don't turn into anything, is show appreciation to his alliance partners. Brokers should never forget that even small gestures can go a long way. A phone call, a card, a letter, a dozen golf balls, they all say thank you and keep the sender at the forefront of the person's mind.

Goldman also tries to reward people who refer him to an employer he ends up doing business with. Sometimes he'll pay a finder's fee; other times he'll send tickets to a Yankees game or some other event.

Such loose affiliations are not new to the benefits industry, but they are increasing in importance as competition for new clients stiffens. Where brokers are breaking new ground is in thinking outside the traditional realm of prospective partners. Lots of people make contact with employers, and brokers never know which one could be a

potential ally.

Formal agreements

While the alliances built through networking and sealed with a handshake may work for the majority of brokers, others want to have more formalized arrangements. They seek the kinds of ventures that have a true sense of partnership and collaboration. Those are more complicated, and their structure can vary from one agreement to the next, but there are a few characteristics all should have.

John Snyder had a client that wanted group long term care insurance, and Snyder knew he would need help to offer that. He wanted someone who knew the ins and outs of LTCI. A Google search turned up a familiar name: Mark Sullivan. Snyder and Sullivan attended high school together, so Snyder gave Sullivan a call about his case. That conversation sparked others, and the men realized they could help each other out. Snyder is president of Human Capital Resources Group Inc. (www.hcr-group.com) in Waltham, Mass., and Sullivan is the managing partner of the Wellesley Hills Firm of John Hancock Financial Network (www.wellesleyhills.jhnetwork.com). Snyder had a solid and proven service platform; Sullivan had a distribution channel.

They knew an alliance could work, they just had to figure out how. The men took 14 months before they made it official, taking part of that time to establish the level of trust that would be needed, even though they'd known each other for 20 years.

"Trust is critical to getting this off the ground," Snyder says. "We each did our own due diligence. We asked around about each other and found out the other was well-respected."

As part of the decision to move forward, they talked about two things Sullivan says are critical: timeframes and values. Both men had the same long-term timeframe for their business, which they saw as valuable. If one wants to get out of the game much earlier than the other, the agreement is more difficult to realize. They also wanted to know that they "shared values as to how our clients are represented," Sullivan says.

Once they knew their values, vision and timeframes were in order, they hammered out a partnership agreement. Actually, they hammered out four drafts of the partnership agreement before it was final. They had to take into account laws about privacy issues and spell out how the business operations would run; plus, the agreement insulates the other partner from issues that affect only one. In essence, it outlined their expectations.

"The process of creating the strategic agreement allows you to delve into each other's philosophy," Snyder says. "It lets the parties make sure it's for them."

Every partnership agreement will look different, but smart business people know what they need in one to protect their side of the business and get the most out of the relationship.

"I think you really need a partnership agreement," Sullivan says. "[In it,] we looked at the legal side and the business side."

Seamless and advantageous

Snyder and Sullivan still operate their own businesses, but their organizational charts include the other partner and his business. Their staffs market the other's services and products when they are in the field, incorporating the other's materials with their own. And they do so with an insight that makes the operation work, because Snyder's people receive additional training from Sullivan and vice versa.

"At the end of the day, a partnership should be seamless to the consumer," Sullivan says.

In a time-crunched world, people are looking for convenience.

"What I do well is benefits," Snyder says. "In the marketplace I'm going after, they want a one-stop shop. I couldn't bring the products and services Mark's firm offers. I knew it was a hole in our platform."

Through Sullivan's John Hancock suite of products, Snyder can offer his clients individual products, long term care, retirement plans and more. Sullivan's 35-strong sales team now tells its business-owner clients they can offer employee benefits. They found a way to fill a gap in their business, and, they both say, they did so with an expert. They see only advantages.

"We are offering something we weren't before," Snyder says, and that is going to be key as the industry moves forward.

The way firms are going to do business will be different in the future, both men feel. The one-stop-shop approach is certainly going to be part of that. Another important aspect, Sullivan says, is the matter of scale.

"To grow and compete," he says, "you've got to have scale. The fact that we have the licenses to sell what other people does doesn't matter as much as scale."

Carefully planned and executed strategic alliances are possibly the fastest way — though they shouldn't be forged too fast — to achieve significant scale. Two businesses that are successful in their own marketplace provide the client base and the expertise needed to grow and reach their goals, short term and long term.

Professional alliances come in many different shapes and sizes. They can be as informal as an understanding that referrals should flow back and forth, or they can be set up as a professional partnership, one where two businesses run independently but as a unit to find new opportunities for both. No matter the structure, brokers see change coming, and they're getting ready for it. Creating one-stop shopping has worked for retail big-box chains, and benefits brokers are seeking to do something similar.

"The marketplace is growing," Sullivan says. "The number of entrepreneurs is growing. This is what consumers want."

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