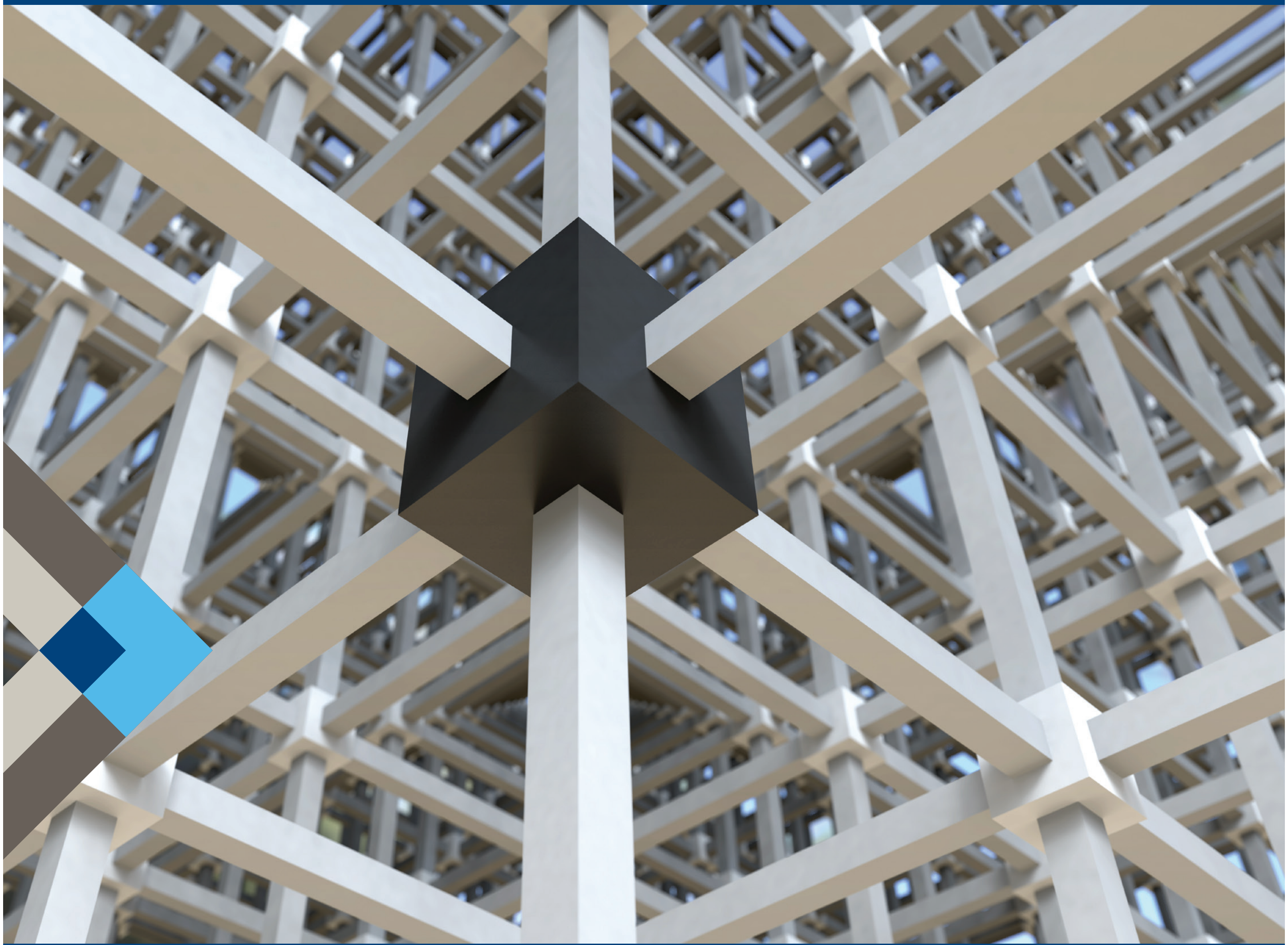
The Path to Improving Retention

Field and Home Office Leader Perspectives



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Field and Home Office Leader Perspectives

A LIMRA-Finseca Study

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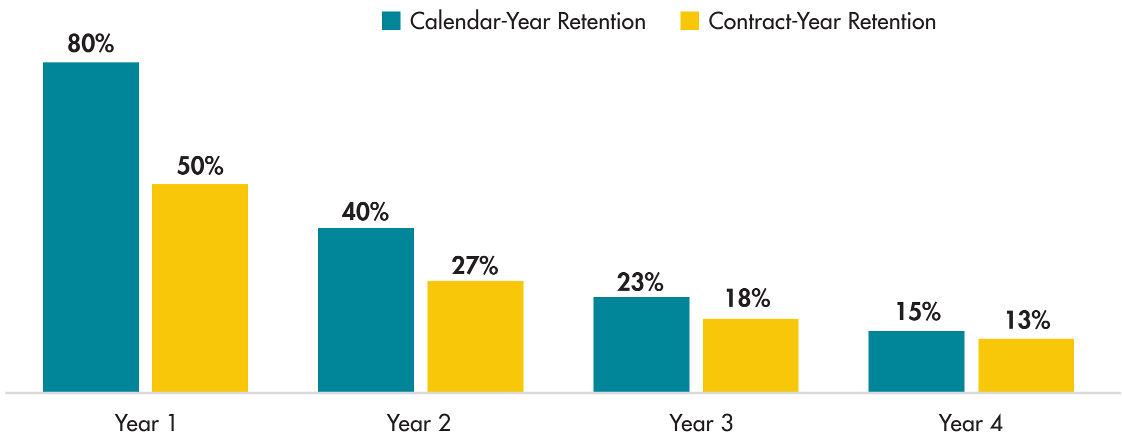
Financial Professional Retention Rates

The four-year retention of financial professionals (FPs) is a standard field performance metric among companies operating an agency-building distribution channel. In 2020, 15 percent of full-time FPs remained with their hiring company after four years. Historically, the number has never been higher than 20 percent. When measured on a contract-year basis,[1] a more accurate metric, the retention rate is even lower (Figure 1).

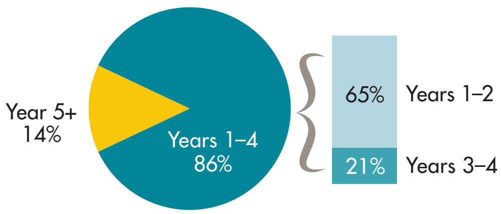
Averages have a way of masking important details, however. For instance, four-year retention rates among individual companies vary widely, ranging from 4 percent to 41 percent.[2] This suggests that certain practices do produce better (or worse) outcomes.

Figure 1: Retention of Financial Professionals Originally Hired



Source: FP (Agent) Production and Retention, LIMRA, 2021.

Figure 2: Distribution of Terminators



Source: FP (Agent) Production and Retention, LIMRA, 2021.

While it is true that the vast majority of FPs leave their hiring company within four years, the greatest portion of those terminations occur in years one and two (Figure 2). For that reason, this research focused on **two-year** FP retention.

[1] "Contract-year" measures the retention of those originally appointed from their date of hire to their anniversary date, whereas "calendar-year" measures the percentage of FPs who are still under contract through December of the year hired.

[2] *FP (Agent) Production and Retention*, LIMRA, 2021.

Key Factors Affecting Financial Professional Retention

Many factors influence the success of a new FP, including the onboarding process, training, compensation, management, coaching, etc. It is unlikely that a single factor is responsible for better outcomes, but rather excelling in several key areas.

To identify which practices have the greatest impact on two-year retention, we asked field and home office leaders about their own observations and experiences. Respondents provided feedback in two ways: first, by rating a list of factors and secondly, by stating in their own words what they believe contributes the most to two-year FP termination and retention.

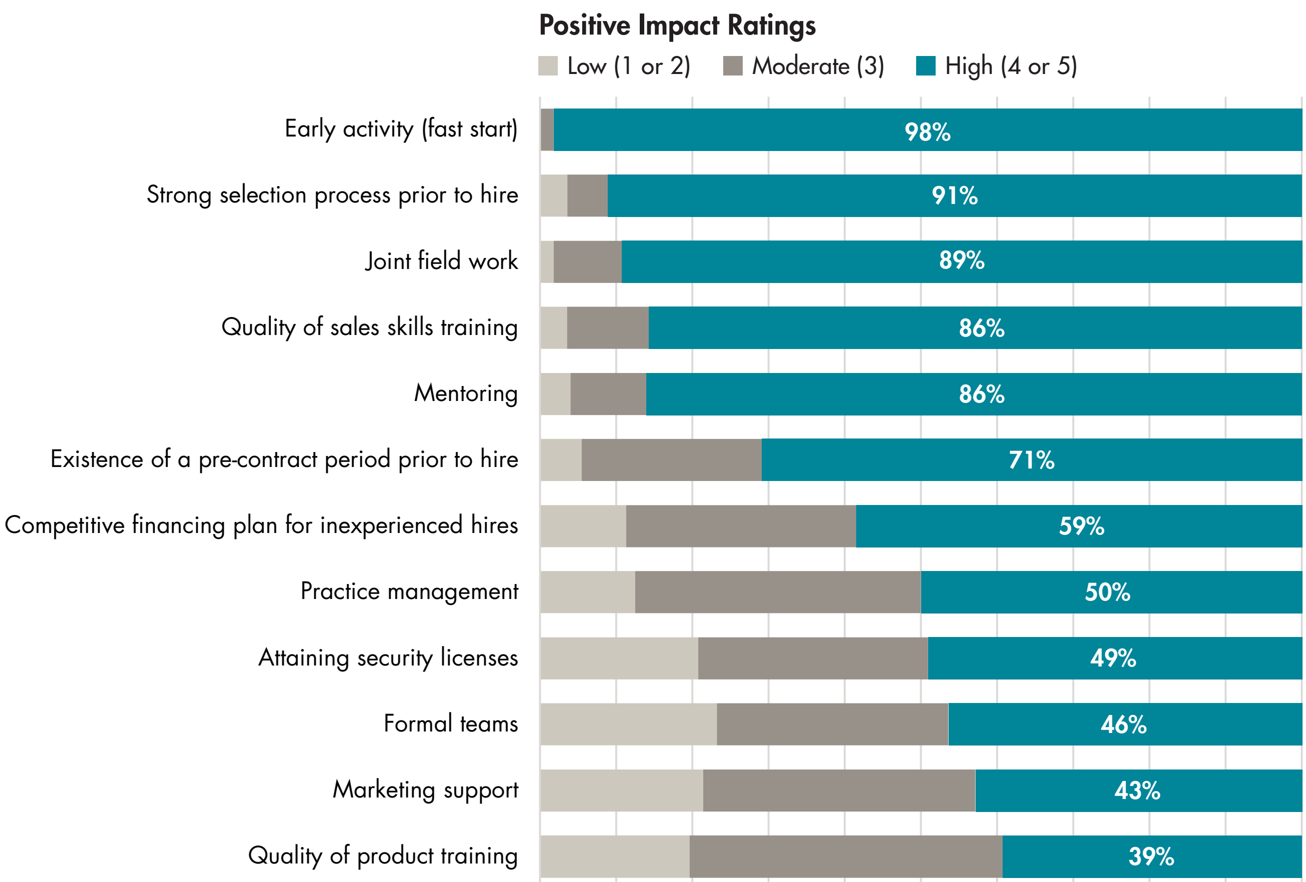
Field Leaders' Top Five Factors

While most field leaders (77 percent or more) believe that all the factors listed in Figure 3 have at least a moderate impact on two-year FP retention, five factors emerged as having the greatest influence:

1	Early activity (fast start)
2	Strong selection process prior to hire
3	Joint field work
4	Quality of sales skills training
5	Mentoring

Figure 3: Field Leader Ratings of Factors Based on Their Impact on Financial Professionals' Two-Year Retention

Respondents rated the factors on a scale of 1 to 5, with 1 having very little impact and 5 having a very large impact.



Early Activity and Strong Selection Process

The top two factors — early activity and a strong selection process prior to hire — are linked. A good selection process not only communicates the performance expectations of the job, but also provides the hiring manager with evidence that the candidate will be able to perform them. If the selection process does neither of these things, the likelihood of early success is diminished.

A robust and focused pre-contract period helps both the candidate and recruiter assess fit. In fact, "existence of a pre-contract period prior to hire" ranked sixth on the list of factors impacting two-year FP retention, with 71 percent of field leaders believing it has a strong impact on retention.

Candidates in a pre-contract program receive a "hands-on" understanding about the FP role. The program provides the hiring manager with information about how willing (and able) a recruit is to perform key elements of the job. It also gives the candidate an opportunity to demonstrate drive, motivation, work ethic, and a willingness to follow a process — all of which are also factors that field leaders believe play heavily into an FP's early success, which we will see shortly.

Are Pre-Contract Programs Undervalued?

Pre-contract activities (observable and measurable) are an important part of the selection process and provide a valuable method of "validating" self-reported personal characteristics. Are they underutilized or undervalued as a method of determining whether a candidate has the characteristics needed for early career success?

Joint Field Work and Mentoring

Joint field work and mentoring, also in the top five, have been difficult to accomplish during the COVID-19 environment and this worries some, especially as it pertains to new recruits entering the business. Some companies have provided incentives for top FPs who take on and mentor a junior rep. Others rely on formal teams to provide the structure and support new FPs are looking for.

Quality of Sales Skills Training

Improving the quality of sales skills training can make up for some of the lack of mentoring and joint work. Sales skills training needs to be practical, situational, and real-world based. FPs want to apply what they have learned, but if what they have learned does not seem immediately applicable, then they disengage. Training is not just about transferring knowledge; it is about helping FPs understand what you are asking them to do, and just as importantly, why and how everyone (they, the company, and the customer) will benefit.

Home Office Leaders' Top Five Factors

Home office leaders were presented with the same list of factors as field leaders. The ratings of those factors in terms of their impact on retention showed a remarkable level of consistency with field leaders, with only a few exceptions.

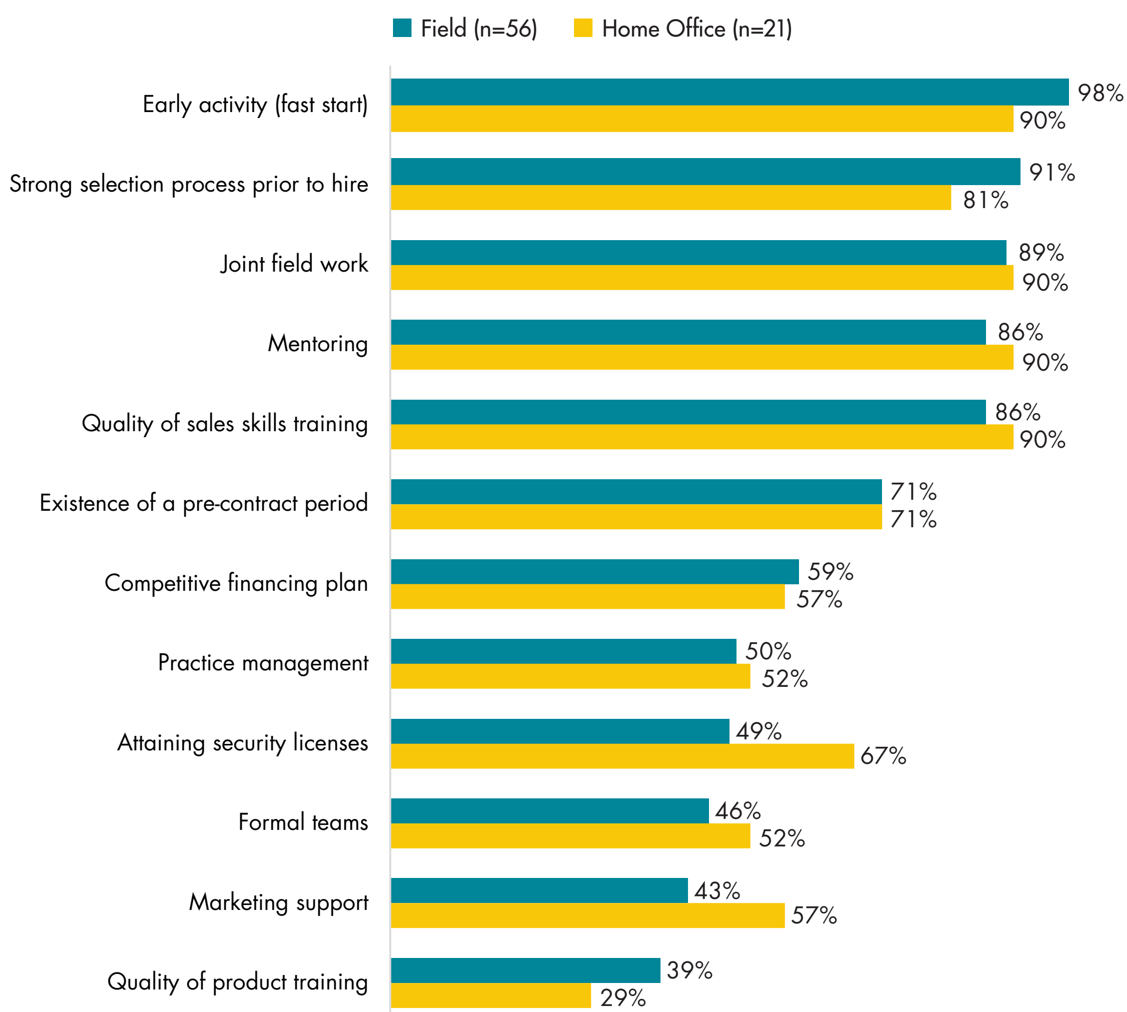
Both groups of leaders chose the **same top five factors** (Figure 4). This sends a strong signal that focusing on and/or investing more resources in these five areas could result in better outcomes for the industry.

Home office and field leader views are very consistent among most of the remaining factors as well, including having a pre-contract period prior to hire, a competitive financing plan, and the use of formal teams.

A few factors had significant differences between home office and field leader ratings. For example, home office distribution leaders rated attaining securities licenses and marketing support a higher predictor of FP retention than did the field. Perhaps they believe FPs with stronger credentials and a clear target market will be more likely to get off to a fast start. The ability to pass securities license exams also demonstrates a level of competence and commitment, and robust credentialing requirements reinforces the professionalism of the career.

Figure 4: Comparison of Field and Home Office Ratings

Percent of leaders who believe the listed factors have a large impact on two-year FP retention*



*Leaders rated the factor a 4 or 5 on a five-point scale

In Their Own Words

Field leaders also provided open-ended responses about the factors they believe contribute to FP termination and retention. Their comments fell into nine categories (Figure 5). Many responses closely resemble the factors previously listed in Figure 3. For instance, early activity, the ability to prospect, and having a strong natural market all affect an FP's ability to have a fast start. In addition, some financial issues, such as earning a sufficient income, could be alleviated with a competitive (and effective) financing plan.

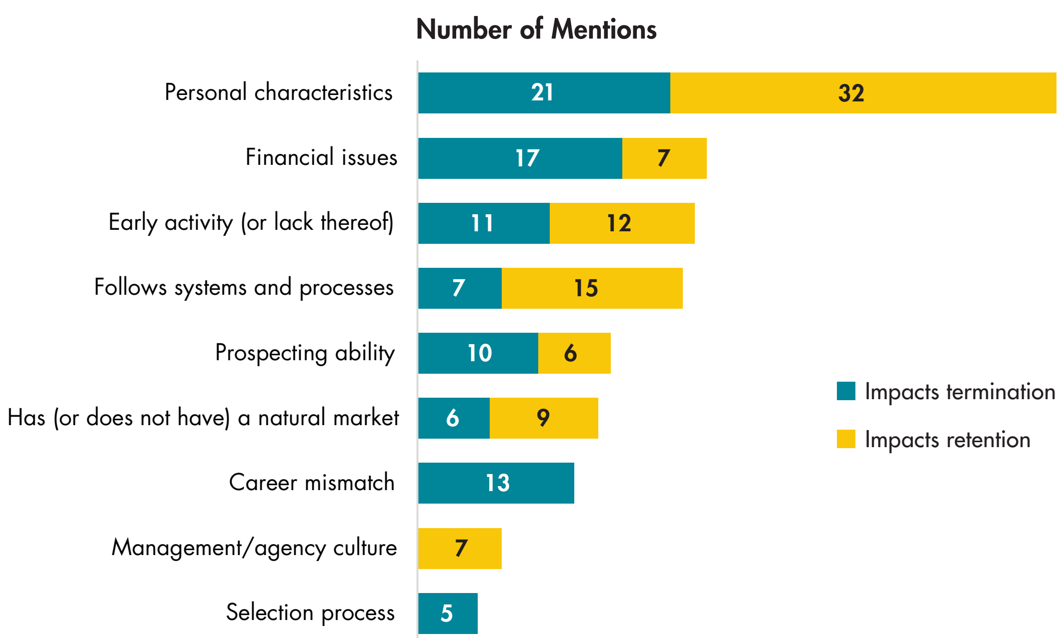
While there is a good deal of overlap between the listed factors and open-ended responses, some field leaders' opinions about why FPs terminate (or remain) in their first two years are revealing.

Three are notable:

> *"Personal characteristics"*
>
> *"Follows systems and processes"*
>
> *"Career mismatch"*

Figure 5: Factors That Contribute to Financial Professional Termination and Retention

Field Leader Open-End Responses



Personal Characteristics

Among the open-ended responses, one factor clearly stands out: **Field leaders often attribute positive early career outcomes to personal characteristics of the individual such as drive, motivation, grit, self-discipline, work ethic, and willingness to be coached.** Personal characteristics were cited as a reason for termination, but even more so, a reason for success. Comments included:

> *"Lack of 'self-drive' and discipline"*
>
> *"Poor work ethic"*
>
> *"Low activity, lack of discipline, and focus"*
>
> *"Willing to struggle"*
>
> *"Confidence"*
>
> *"Ability to tie personal vision/goals to business plan. Commitment. Determination"*

Qualities such as perseverance and drive seem intuitively important to FP success, and many field leaders are seeking unconventional tools and resources to assess behavioral traits that fuel these personal characteristics. However, these qualities are difficult to measure objectively. Organizations generally rely on subjective self-assessments and interviews — environments where candidates are motivated to put their best foot forward. Even recruiting materials may signal to candidates to show enthusiasm and drive that fades once contracted. What is needed is a way to assess drive, discipline, work ethic, confidence, etc., without weighting them too heavily early in the selection process and incorporating more objective methods of evaluation.

Following Systems and Processes

Field leaders also frequently cited success predictors that are related to how willing new FPs are to follow the procedures and processes that the field leader and/or company has in place. While these may seem similar to personal characteristics such as drive and work ethic, there is a particular focus on being coachable and demonstrating a willingness to take directions from a seasoned leader or peer. Comments included:

> *"Followed our lead regarding training, habits, discipline, etc."*
>
> *"Coachability, attitude, and effort and NO plan B — have a strong 'WHY'"*
>
> *"Commitment to learning and carrying out what we teach them"*
>
> *"Full-time, desire to build a career, unwilling to give up, coachable"*

Being able to follow a system complements an individual's drive and work ethic. It is a purposeful, directed effort and an acknowledgment that others with more experience might have something to teach you. It is the ability to put aside your own thoughts, ideas, and preferences and do what someone else is telling you to do (whether you are comfortable with it or not).

Career Mismatch

Another frequently mentioned factor that contributes to FP termination relates to recruits' **lack of understanding about what the job entails**. Considering most companies (although not all) have a fairly lengthy selection process (70 percent are longer than 2 months[3]), it is particularly striking that field leaders cited a "career mismatch" as a significant reason for failure. Comments included:

> *"A misunderstanding of what this career entails for early career advisors."*
>
> *"Field leaders and recruiters do not have a strong profile to recruit to or don't follow it. Also, not [accurately] explaining to the candidate what the career is."*
>
> *"Should not have been hired. The poor selection process did not eliminate them to begin with."*
>
> *"Not having enough of a natural market, being unable to work in a commission-based career, or just not being right for the career."*

What might be contributing to the gap between what a recruit thinks the job is and what is actually required for success?

If recruiters are primarily rewarded for bringing in a large number of candidates to the top of the funnel and there are few controls around messaging to recruits, their efforts may not be aligned with attracting individuals who are best suited for the career. LIMRA data shows that retention rates vary by the person doing the recruiting (Figure 6). Candidates brought in by recruiters have lower first-year retention rates compared to those brought in by sales leaders.

Research across industries and job types finds that **realistic job previews** produce better retention outcomes.[4] Naturally, the hiring process is a mutual decision. The candidate also has a role in self-awareness — knowing what they like and what they are capable of accomplishing. To improve outcomes, organizations must engage candidates in a mutual exploration process.

Figure 6: One-Year Retention Rate by Recruiter Type

Source: Career Profile Validity Study: Contract-Year 2019, LIMRA.

[3] *Career FP (Agent) Recruiting, Recruiting Snapshot*, LIMRA, 2021.

[4] Phillips, J.M. "Effects of Realistic Job Previews on Multiple Organizational Outcomes: A Meta-Analysis," The Academy of Management Journal, Vol. 41, No. 6 (Dec., 1998), pp. 673–690.

Level of Field and Home Office Agreement

Home office distribution leaders were also asked an open-ended question about what contributes to FP termination and retention. Themes in common with field leaders include financial issues, the ability to prospect, the size of an FP's natural market, the quality of the selection process, and early activity (Figure 7). Two *differences* between field and home office responses are noteworthy:

Home office leaders emphasize training and leadership/coaching/mentoring as a factor in retention.

Human nature being what it is, field leaders are not likely to blame poor FP retention on their own leadership, coaching, or mentoring skills. The home office is not so constrained, and it may be that they are laying some of the fault at the feet of their field leaders.

Another perspective is to view field and home office responses as two sides of the same coin. Field leaders highlighted "not following processes and procedures" as a reason for failure, but processes and procedures are a significant part of FP training programs. Some FPs may be receiving fine coaching/mentoring by the field leader, but are not applying it in a manner that fosters success.

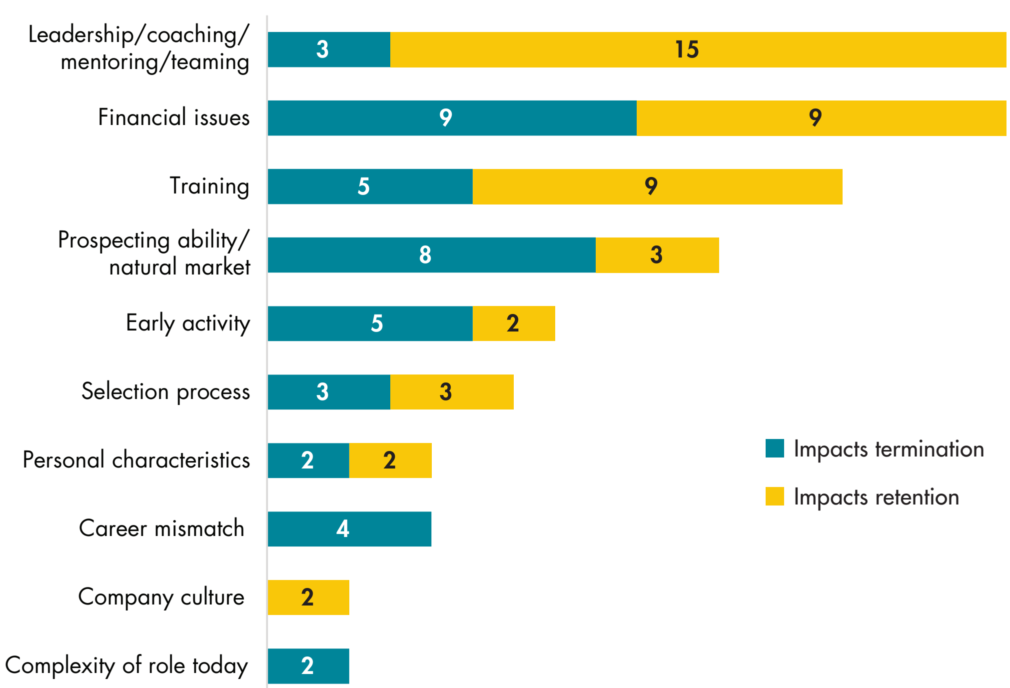
Few home office leaders mentioned personal characteristics.

Unlike the field, few home office leaders mentioned personal characteristics as a reason for FP success. Home office leaders think more strategically about FP retention, categorizing new recruits into cohorts, but the field clearly sees personal characteristics as a major driver. Naturally, field leaders build personal relationships with FPs — they see their strengths and weaknesses from an individual perspective.

On the other hand, could field leaders be overemphasizing individual characteristics, focusing on one or two obvious strengths early on, making it harder to analyze other key competencies objectively? Given the inherent subjectivity involved in making these judgments, if personal characteristics need to receive more attention, how and when in the selection process should they be assessed?

Figure 7: Factors That Contribute to Financial Professional Termination and Retention

Home Office Leader Open-End Responses (number of mentions)



Sampling of Home Office Open-End Responses

Reasons for Termination
"I believe many advisors receive training in their first few weeks to months, but then are left to figure it out on their own beyond that. They are not put into teams to help drive success. Also, once their natural market dries up, it is hard to build beyond that [even] with focused training and coaching."
"Misalignment in structure of role vs. shift in how clients want to be served (deep, planning-based relationship vs. quick sales); complexity of role/expectations."
"Not clearly understanding the job of a financial professional and the amount of work it takes. Field leaders [are] spending too much time recruiting versus having honest conversations about what they will do and what it will take."
"The competitive landscape for young people entering the financial services industry to "eat what you kill" vs. landing a job that pays a salary, and the degree of complications of our business."

Reasons for Retention
"The collective culture within the agency […] helps pull along new FPs in their first 2 years. The first 18 to 24 months are really difficult, so it does take a village to help up those new FPs who stumble along the way."
"High productivity, especially the number of new clients that they can attract. Strong training and mentoring. A belief and conviction in the value of the work that allows them to persevere beyond obstacles."
"We are focused on teaming. We have a bunch of experienced advisors who need help with clients. Honestly, we don't recruit a ton, so that helps our capacity. We also have a very rigorous testing and pre-contract process."
"Having financial safety net to withstand ramp-up time; coaching and encouragement; prospecting activity."

Actionable Insights

This research is not intended to provide a "one-size-fits-all" solution to low FP retention rates, but rather to highlight several key areas to focus on that are likely to have the greatest impact. Below are several strategies to think about and possible actions to take.

Build on the areas of agreement between the field and home office.

- **Four out of five field and home office leaders agree** on the five factors that have the greatest impact on FP retention (fast start, selection, mentoring, joint work, and sales training). Use this common ground as a starting point to engage the field in a positive and forward-looking discussion.
- **Which of your field leaders excel in one or more of the five factors?** Give them a spotlight and share their success stories broadly.

Explore ways to assess personal characteristics earlier in the selection process.

- Field leaders cite personal characteristics such as drive, work ethic, and commitment as key indicators of success. Are there ways that the home office can help field leaders objectively assess those attributes?
- Design pre-contract programs to flag those who are clearly struggling with foundational aspects of the career such as prospecting and sales skills.
- Invest more in recruits who demonstrate that they are coachable and have the drive to succeed by tracking and rewarding activities and the achievement of developmental milestones.

Review language and messaging to recruits.

- Review recruiting messages to ensure they align with what the new FP will actually be doing.
- Younger generations may come to you with a negative bias toward some of the industry's terminology (for example, insurance agent or commissions). Use terms such as financial professional instead of agent, or substitute "paid based on your performance" instead of commission.
- Spotlight the "greater good" aspects of the career.
- Move away from a "sales job" mentality. Finseca promotes elevating the profession by changing the language used when promoting the career (see sidebar).

Explore new (and revitalize old) forms of mentoring and joint work.

- New FPs need a multifaceted plan on how to build their book of business. Mentoring and joint work are time-tested ways of helping FPs get off the ground.
- Formal teams have proven to be a successful recruiting and retention strategy for some.
- Innovations such as apprenticeships or journeyman models can offer new ways to onboard new FPs. Manufacturing has long used apprenticeships to train and develop junior tradesmen. In this model, a person is assigned a mentor and works with that person very closely for a period of time. The legal profession is also exploring apprenticeships as an alternative to spending years in law school.[5]

Elevating the Profession

The language used to describe a financial services career may be more important than we realize. For instance, the word "industry" conjures up car sales or pharmaceutical reps, but the word "profession" is more closely associated with lawyers and doctors. Additionally, the role of a financial services advisor is changing from a "sales job" to a professional services career.

Finseca is encouraging those involved with promoting financial services to utilize language around three "I"s:

- Independence
- Income
- Impact

Using this approach will widen our appeal to markets that typically have not shown interest. The three "I"s provide a clearer vision to potential recruits: They can impact lives, have a purpose-driven career, achieve financial success, and be an entrepreneur.

[5] "Seven states that allow apprenticeship route to practicing law," Innov8Social. <https://www.innov8social.com/2013/01/7-states-that-allow-apprenticeship> [Accessed 03 February 2022].

Provide multiple affiliation models within your system as a way to attract and retain high performers.

- Not all terminations are a loss to the *industry*. Some recruits remain with a company, but not in a sales role. About a quarter of "terminators" (all tenures, not just the first two years) move to another peer company each year. Other "terminators" move to another distribution channel, sometimes within the same carrier.
- Providing a choice of affiliation models within your own company gives FPs options, while still contributing to the success of the overall organization and realizing a return on your organization's investment in new FPs.

Agree on what a "good" retention rate is for your company and distribution system.

> *"I think we believe that everyone should make it. That is silly. No industry has 100 percent retention."*
>
> *— Home office leader*

- When asked about their **philosophy** of retention, two thirds of field and home office leaders struck a middle ground: **Many** can succeed with the right support — but not most and not just a select group. Determine what your organization's "best" retention rate is and build toward that goal. A realistic view of FP retention accepts that a certain number of people will fail out of the process.
- **Realize that not all terminations are "bad."** If an FP is not interested in a financial services career and not passionate about our industry's mission, do we really want them representing us to our customers?

Is there hope of improving the retention rate of FPs, especially in their first two years? Yes! A recipe of improved selection, early activity, quality sales training, and real-world experience through joint work and mentoring will provide the best chance for success. Like any recipe though, all the ingredients are important and if you leave one out, the outcome may fall short of your expectations.

Financial Professional Retention Strategies

- Build on the areas of agreement between the field and home office.
- Explore ways to assess personal characteristics earlier in the selection process.
- Review language and messaging to recruits.
- Explore new (and revitalize old) forms of mentoring and joint work.
- Provide multiple affiliation models within your system as a way to attract and retain high performers.
- Agree on what a "good" retention rate is for your company and distribution system.

ABOUT THE STUDY

LIMRA and the Finseca Foundation collaborated on a research study with the goal of exploring the reasons behind low FP retention rates. The organizations surveyed field and home office leaders from their respective memberships. The effort garnered important insights into the reasons why some FPs terminate in their first two years with a company and why others remain and are successful.

Two surveys were fielded in the summer of 2021, resulting in the following responses:

- Fifty-six field leaders, 40 of which were first-line leaders (agency heads) and 16 second-line leaders, including sales managers and functional specialists
- Twenty-one home office distribution leaders from 15 companies with an agency-building channel

ABOUT LIMRA

Established in 1916, LIMRA is a research and professional development not-for-profit trade association for the financial services industry. More than 600 insurance and financial services organizations around the world rely on LIMRA's research and educational solutions to help them make bottom-line decisions with greater confidence. Companies look to LIMRA for its unique ability to help them understand their customers, markets, distribution channels and competitors and leverage that knowledge to develop realistic business solutions.

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As the home of the top financial security professionals, Finseca's sole focus is on creating an environment that enables people to protect and enhance financial well-being — for themselves, their families, and their businesses. Simply put, financial security for all.

With nearly 6,000 members, Finseca represents and serves the entire financial security profession, regardless of role, marketplace, or experience. Finseca members provide life insurance and retirement planning solutions that protect dreams and promote prosperity for all.

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