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Insurance agent not the best fit for wealth team

By **Joseph W. Maczuga**

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The premise of Andrew McElwee's Oct. 9 Practice Management article, "Adding an insurance agent to wealth preservation team," was of value in concept.

Although the main focus of the content was related to property-casualty risk management, there were a number of issues that transitioned into the life-and-annuity component of risk management. Regarding the life-and-annuity content, some important considerations need to be addressed:

- Wealth managers and independent financial advisers have ignored the risk management side of comprehensive planning due to (a) concern about their lack of knowledge of insurance policy structure and planning initiatives, (b) past experience and perceptions about life insurance as a high-cost product that is sold in a transactional venue to generate high commissions and (c) concern about the fiduciary issues of transparency, full disclosure and the client-first interest issue.
- Referring a client to an insurance agent does little to reduce those concerns.

Why should a wealth manager or adviser refer a client out to an agent when they can accommodate the needs of the client in-house? Why create an environment of uncertainty? Why open the door to a party that may become a competitor?

- Finding an "independent" agent that can provide multiple illustrations with recommendations should not be the determining element in the selection process.

It is difficult to accept the premise that multiple illustrations address the issue of impartial and unbiased selection if all of the products represented are restricted to the commission venue. Although compensation is not the line of demarcation to the fiduciary issue, it certainly makes it necessary to look at all product venues, including fee adviser policies (no-load, low-load, non-commission products).

- Of the many comments for consideration in choosing an agent, the only criterion that is aligned with the wealth managers' comfort zone is that the referral agent should take a consultative approach similar to that of the adviser. Can an agent really qualify for that expectation?

Research already has proved that illustrations have no, or very little, basis in relation to projected values. Advisers who still use these point-of-sale ledgers for analysis are in conflict with fiduciary and "prudent man" principles.

Do illustrations have a cost structure with integrity? It is incumbent upon the adviser to learn the fundamentals of policy design and then work in association with the chosen resource entity to provide a coordination of design that is focused to the needs and objectives of the client.

Wealth managers and independent advisers have options available to them that run congruent with their practice model. No-load policies are designed for those who want to bring risk management into their practice as a value-added fee engagement service to their clients. These products offer full disclosure and transparency.

Fee adviser policies

As executive director of the Fee Advisors Network, I have consulted with thousands of advisers over the years to find some common areas of concern. True, wealth managers and independent advisers have not engaged the risk management side of comprehensive financial planning, but they are recognizing that they have to address the issue to provide a totality of value-added services for their clients.

In addition, the fiduciary issue highlights the fact that there is an obligation to provide an element of expertise to risk management since it is a major component of the planning process. To provide this element of expertise, an adviser's resources have to be able to provide an open architecture of process used to substantiate policy design, strategy and the broad horizon of advanced planning options. Full disclosure and transparency of policy costs is mandated in such a relationship. A growing number of advisers find that the integration of fee adviser policies has benefited their clients and their practices.

By properly selecting a relationship with a provider of fee-based policies who has committed staff and resources to the adviser community, the adviser can get objective input, case design and implementation assistance.

Joseph W. Maczuga is executive director of the Fee Advisors Network in Troy, Mich.



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