An overview of NAIFA's insurance and financial advisors: who they are, what they do and how they serve the financial interests of American families and businesses.
INTRODUCTION

Ask any NAIFA member, and they will tell you their job is about forging relationships. It takes a lot of genuine concern and understanding—along with hard work and a track record of success—to convince other people to entrust you with their financial security. When it’s not just about selling a product, but rather, helping people reach their long-term goals, there can be no substitute for knowing your clients and really caring about their well-being.

I have been fortunate through my membership in NAIFA and serving as its president to become personally acquainted with hundreds, maybe thousands, of NAIFA members from around the United States. I consider it an honor to have spoken on behalf of NAIFA in meetings with reporters, members of Congress, and federal and state regulators.

One thing I have come to realize is that while the majority of these luminaries know about NAIFA—our 125 years of success have earned us a high level of prestige and recognition—they are often unfamiliar with exactly who NAIFA members are and what we do.

The following report provides facts and statistics about the insurance and financial services profession, NAIFA members and their clients. But as importantly, it offers personal and professional snapshots of individual NAIFA members.

For example, NAIFA-Texas member Ken Quach describes how he builds lifelong relationships with clients from immigrant communities by helping them set up accounts with utility companies and speaking with the companies on their behalf. Cammie Scott, a member of NAIFA-Arkansas, tells how she helped a long-time health insurance client facing a 69 percent rate increase shop around and negotiate with carriers until he got a premium he could afford.

These vignettes provide color and context for people outside of the insurance and financial services industry who may not fully appreciate the relationships advisors build with their clients. They cut through the facile (and wrong) perception that NAIFA members are simply salespeople, peddling insurance and financial products.

They present NAIFA members as involved leaders in their communities and highly skilled professionals working passionately to secure the financial freedom and security of the individuals, families and businesses who count on them.

The smartest, most creative people I know are NAIFA members. I am very proud to belong to an association of such extraordinary individuals. And while the government officials I’ve spoken with are right to hold NAIFA the organization in high esteem, I’ve found that once they learn who we are and what we do they are equally impressed by the character and service of the people who form our association.

John F. Nichols, MSM, CLU
NAIFA Past President, 2013 – 2014
THE ROLE AND IMPACT OF INSURANCE AND FINANCIAL ADVISORS

The agency system is the principal method of distribution for private life and health insurance in the United States. Agents are the essential link between the consumer and the insurance company, providing and servicing the products of the insurer while educating the consumer on how to manage risks and how to make informed choices regarding their insurance purchases.

Small businesses and individuals also rely on the advice of agents and advisors for financial and retirement planning. Surveys show that consumers want personal, one-on-one service that can only be delivered by an agent or advisor.

According to the American Council of Life Insurers, the life insurance industry has $5.2 trillion invested in the U.S. economy, making it one of the largest sources of investment capital in the nation.

The industry generates approximately 2.5 million jobs in the United States, including direct employees, those who sell life insurance products and non-insurance jobs supported by the industry. Other life insurance facts compiled by ACLI include:

- 75 million American families (two out of three) depend on the life insurance industry for financial and retirement security.

- American families have more than $19.3 trillion worth of life insurance protection through individual policies and group certificates.

- The life insurance industry pays out $1.5 billion every day through payments from life insurance, annuities, long-term care insurance, disability income insurance and deposit funds used for retirement.

- Almost 20 percent of Americans’ long-term savings are in life insurance and annuities.
In general, NAIFA members perform these critical services for consumers:

• **Needs Assessment.** NAIFA members work with clients to evaluate their need for insurance, retirement and estate-planning protection. This usually involves substantial research and fact-finding about the client’s specific financial situation. As circumstances change or as a business grows, additional needs assessment may be necessary.

• **Education.** NAIFA members explain the various insurance and financial planning tools available and provide appropriate cost indexes.

• **Planning.** NAIFA members recommend plans to fulfill a client’s objectives and budget.

• **Follow through and execution.** NAIFA members work with their clients to execute coverage so that it is in place when it’s needed. Agents and advisors also make sure that the client gets the very best plan at the lowest premium cost available.

• **Change management.** NAIFA members review or update plans on a periodic basis for their clients. They suggest changes when appropriate and counsel clients on ways to reduce costs. Often they must assist their clients in reviewing the need for legal and tax compliance, recommending other professional assistance when necessary.

• **Claim documentation and service.** NAIFA members assist with claims, answer questions and serve as ombudsmen in helping their clients deal with insurance companies, other product providers and government programs.

• **Employer-employee relations.** NAIFA members assist business owners in communicating the value of employer-provided benefit packages to employees and in explaining how group benefits coordinate with personal financial programs.

• **Business continuation planning and funding.** NAIFA members help to insure businesses and assist business owners in developing and funding business succession plans.

“We’re often helping clients through transitions. As clients grow older, their needs change.”

– JULI MCNEELY
NAIFA MEMBER CHARACTERISTICS

In a 2013 Advisor Today survey of NAIFA members, nearly one-fourth of the respondents described themselves as captive agents (they represent one company exclusively) and another 23 percent said they are independent agents. About 15 percent reported they are financial advisors, 13 percent described themselves as “semi-captive” agents, 8 percent as owners or partners, and 4 percent as managers.

They reported about 50 percent of their business comes from being a financial advisor and 50 percent as either a captive, independent or semi-captive agent. Fully 30 percent said they were also an owner or partner in their firm.

A separate 2010 survey by the Life Insurance Marketing & Research Association (LIMRA) found that 63 percent of NAIFA members sell securities products, either as a registered representative of a broker-dealer or as a registered investment advisor, or both. In addition to selling variable products, mutual funds and investments, most of the broker-dealers (90 percent) offered planning services.

When asked by Advisor Today to list which markets they serve (multiple responses were allowed), 70 percent of NAIFA members said they served the senior market, 67 percent said the family market, 65 percent said the business market and 30 percent the employee benefits market.

NAIFA Members Serving the Middle Market

NAIFA members serve primarily the middle or Main Street market. About half of NAIFA-member clients have annual household incomes of less than $100,000. Only about 10 percent of their clients have household incomes in excess of $250,000.

There is a clear need for NAIFA-member services in this market. A LIMRA survey of life insurance ownership found that less than half of U.S. middle-market households have life insurance. (See, “Serving the Insurance and Financial Needs of Americans,” p. 13.)

---

Percentage of NAIFA Members Providing Selected Products

![Percentage of NAIFA Members Providing Selected Products Chart]

Source: Advisor Today Reader Survey, 2013
By far, life insurance is the predominant product that NAIFA members sell, with 94 percent indicating they had sold a life insurance policy in the last two years (with term life being the top kind of life policy sold, followed by whole life, universal life and group life).

About three-fourths of NAIFA's members reported selling long-term care coverage (73 percent). Also high on the list were disability income (69 percent), fixed annuities (68 percent), individual health (50 percent), Medicare supplement (45 percent), group health (35 percent), dental (33 percent), health savings accounts (28 percent), vision (23 percent) and critical illness (16 percent).

In the retirement planning and investment area, 63 percent of NAIFA members reported selling an IRA, 52 percent mutual funds, 36 percent 401(k) or 403(b) plans, 33 percent 529 education plans and 23 percent other types of investments.

In the business market, NAIFA members said most businesses they serviced had 1–9 employees (36 percent), followed by 10–24 employees (23 percent), 25–49 employees (11 percent) and 50–99 employees (7 percent).

**Employment Outlook for Insurance Agents**

- **Number of jobs, 2012:** 443,400
- **Job Outlook, 2012–22:** 10 percent (as fast as average)
- **Employment change, 2012–22:** 45,900
- **2012 Median Pay:** $48,150

**Employment Outlook for Personal Financial Advisors**

- **Number of jobs, 2012:** 223,400
- **Job Outlook, 2012–22:** 27 percent (much faster than average)
- **Employment Change, 2012–22:** 60,300
- **2012 Median Pay:** $67,520

*Source: Department of Labor’s “Occupational Outlook Handbook”*

**Compensation**

Agents and financial advisors earn commissions and other types of compensation for their work in servicing clients.

In a LIMRA survey of NAIFA members, nearly all of the respondents reported that they had received compensation in the form of commissions (96 percent), followed by asset-under-management (AUM) fees (51 percent), bonuses (28 percent) and salaries (14 percent).

When asked to describe the makeup of their total compensation, NAIFA members said over three-quarters (77 percent) of their income came from commissions, 9 percent from AUM fees, 8 percent from salaries, 3 percent from bonuses and only 2 percent from planning fees.

The majority of NAIFA members (82 percent) and 94 percent of those who are registered representatives or broker-dealers charge no upfront or ongoing fees. Most NAIFA-member clients say they prefer not to pay fees, and almost all (90 percent) say they should have the freedom to choose whether they pay fees or commissions.
Licensing, Regulation and Training

Insurance agents are licensed and regulated by state insurance departments. Many agents and advisors are also licensed by federal and state regulators that govern the sale of securities products and services. Prospective agents and advisors receive extensive training prior to taking a written exam leading to licensing. Continuing education is usually required for agents/advisors to maintain licensure.

According to LIMRA, NAIFA’s membership spends about 500 hours and $9,000 per year on compliance and securities examinations. They spend about half a day per week on compliance and almost a third have hired staff to do compliance work. They also spend about half a day on every compliance exam they take, and 20 percent have direct costs for the exam.

Many agents and advisors have taken college-level courses leading to one or more professional designations. The five most prevalent designations among NAIFA members are:

- Chartered Life Underwriter (CLU)
- Life Underwriter Training Council Fellow (LUTCF)
- Chartered Financial Consultant (ChFC)
- Certified Financial Planner (CFP)
- Certified in Long-term Care (CLTC)

NAIFA’s New LUTCF

NAIFA has partnered with the College for Financial Planning to create an enhanced, dynamic and interactive curriculum for NAIFA’s renowned LUTCF designation, established in 1984.

The new LUTCF combines online and classroom learning with field training to equip advisors with the knowledge and skills to advise on real-life issues of today.

Courses are taught via an interactive web-based platform or in a live classroom setting. Essential field activities allow advisors to gain practical hands-on experience initiating and engaging clients in a live setting. Each of the three practical, information-rich courses is just eight weeks long, so the program can be completed in one year or less.


“We look for core values and work ethic. You can teach skills, but you can’t teach morals.” – CAMMIE SCOTT
Individual Life Insurance

According to ACLI, individual life insurance is the most widely used form of life insurance protection, accounting for 58 percent of all life insurance protection in force in the U.S. While individual life is principally used for family protection, it also is widely used to protect against the economic loss that results from the death of the owner or a key employee of a business.

Individual life insurance totaled $11.2 trillion at the end of 2012 and has grown at an average rate of 2 percent since 2002, when $9.3 trillion was in force.

The average size of new individual life policies purchased has decreased since its peak in 2008 to $163,000 in 2012. The number of individual policies purchased totaled 10.3 million in 2012.

Individual life policies are divided into two basic types of protection: those covering a specified term and those permanently covering one’s whole life.

While the total amount of life insurance in force has increased steadily over the years, ownership of individual life insurance policies hit a 50-year low in 2010, according to LIMRA, which conducts a “Trends in Life Insurance Ownership” study every six years.

In its most recent study, LIMRA found that only 44 percent of U.S. households had individual insurance, down from 72 percent in 1960 and 55 percent in 1992. Even the number of individuals covered through group plans, which had been rising since 1960, declined. As a result, only 59 percent of U.S. adults owned either individual or group life insurance.

According to LIMRA, the number of households without any coverage at all is growing—30 percent of households (35 million) in 2010 had no coverage compared to 22 percent of households (24 million) in 2004.

LIMRA also found that a record number of Americans see the need for life insurance. Half of households said they feel they need more coverage, the largest level recorded by LIMRA.

Almost 80 percent of households currently do not have a personal life insurance agent or broker, yet the majority of Americans say they prefer to buy insurance from an agent. For example, 60 percent of baby boomer households say they would prefer to buy life insurance face-to-face.

Most consumers (86 percent) say they would use the Internet to research life insurance before buying it. Only 16 percent, though, say they would prefer to purchase insurance completely online.

Group Life Insurance

Group policies are commonly issued as part of employer-provided life insurance or by unions and professional associations. Employees or other group members receive certificates of coverage. In 2012, according to ACLI, group insurance represented 39 percent of all life insurance policies in force, and group life provided $8 trillion of protection.
Ken Quach, CLU, ChFC, CASL
Owner/Agent
Ken Quach Insurance Agency (State Farm)
Houston, TX

What my agency does: “We are a State Farm agency, so we do general lines (property and casualty), life-health, and financial planning and retirement products. In short, we cover just about every risk a client may have. I began this agency just as the Vietnamese community was expanding in the Houston area, so we have Vietnamese staff as well as a growing Hispanic practice. Everyone on my team is bilingual—in addition to English, they can speak either Vietnamese or Spanish.”

Markets: Vietnamese and Hispanics, multiline, business owners and families

Years in the business: 20 (15 as an agent)

Typical day: “My job is to motivate and train my staff. The majority of my time is spent with my team members—coaching them and talking to them, making sure they have the training they need to succeed.”

How I help clients: “I really do live by the State Farm mission, which is to help people do three things: manage the risk of everyday life, recover from the unexpected and realize financial dreams. If my agency can live that every day, we will make good on our promises. We take a holistic view toward helping people. I always tell my staff that if it fits into our mission, let’s do it. If you are passionate about helping others, the business will come. I often share experiences with my staff where someone has made an extra effort to help a client. I had one long-time client ask me to help his brother, who had mistakenly signed up for rental car insurance over a three-week period. He got hit with thousands of dollars of extra charges that he would have had to pay himself if I hadn’t asked the rental car company to waive the fees. It’s those kinds of things that really make a difference.”

Needs: “In every market, you have to be sensitive to the culture. When clients only speak their native language, they will ask you for your help. Clients will bring in water or electric bills and ask us to call the company. These people are the ones who helped build our agency because they stayed with us. I have taken clients to meet with attorneys to plan their estates because they trust me to do the right thing and value my advice.”

Why I do what I do: “This is a business that’s full of money, but you can’t put money first and then see where it takes you. You have to sincerely want to help people. If you do, people will send you more business than you can handle. That’s what keeps you going. That’s what brings meaning and purpose to what you do. I love this saying from a past State Farm CEO: ‘If you seek to serve yourself and not serve others, you will in time serve no one.’ That is so true in my experience.”
**Annuities**

Annuities are financial contracts that pay a steady stream of income for either a fixed period or for the lifetime of the annuity owner. Most pension and retirement plan assets held by life insurance companies are annuity contracts. Because they guarantee a steady stream of income, annuities protect their owners against the possibility of outliving their assets.

Annuities are sold as either immediate annuities or deferred annuities. Immediate annuities begin making payments immediately; deferred annuities defer payments until some future date (when an annuitant retires, for example).

Annuities provide a variety of features designed to meet different needs. Depending on risk tolerance, the annuitant can choose a fixed annuity, which provides stable returns, or a variable annuity, which is backed by equity investments.

According to the ACLI, payments into annuities increased by 3 percent to $369 billion during 2012, while annuity reserves increased 7 percent to $3 trillion. Contributions to group annuities, which are sold through employer-sponsored retirement plans, increased to $159 billion in 2012, 36 percent higher than in 2011.

**Property and Casualty Insurance**

Auto, homeowners, renters and flood insurance policies, along with other types of property and casualty (P&C) insurance, protect policyholders from the risks associated with owning property. They cover damages to or the loss of the insured’s property, as well as liability for property damages and personal injury to other people. For example, an insured who gets in an automobile accident may be covered to repair or replace his or her damaged vehicle, but the policy may also pay for such things as damages to other vehicles or property, medical costs for people injured in the accident, and legal liabilities that may arise from the accident.

P&C insurance is also important to business owners who must account for financial risks to their operations. These may include such threats as theft, weather damage, business interruptions, equipment failure, data security breaches, and personal injury to clients or employees, as well as many others.

Premium paid in 2012 for personal P&C coverage ($261 billion) was slightly higher than for business coverage ($247 billion), according to the Federal Insurance Office. In 2012, insurers paid $337 billion in P&C claims and associated expenses.

Just over a quarter of NAIFA members (26.2 percent) provide P&C coverage, often by cross-selling these policies to their life insurance clients. “We cover just about every risk a client may have,” says NAIFA member Ken Quach.

**Disability Income and Long-Term Care Insurance**

Disability income insurance and long-term care insurance provide important financial protections to workers and families.

Disability income (DI) insurance protects workers’ income by replacing a portion of their earnings if they cannot work due to an accident or illness. DI policies commonly provide 50 to 70 percent of an insured’s pre-disability income. They are purchased either as individual policies or as group coverage.

Long-term care (LTC) insurance protects retirement savings and alleviates financial hardships that might otherwise impoverish a family paying for long-term care needs. LTC pays for services to help policyholders perform certain daily activities such as bathing, eating and dressing. According to the NAIC, life insurers collected $10.9 billion in LTC premiums in 2012.
Cammie Scott, MSIE, LUTCF, RHU, REBC, CLTC, ChHC, SPHR
President
CK Harp & Associates
Springdale, AR

What my agency does: “We work in the small to mid-sized employer market, 500 employees and under. We do core benefits, group health, life, dental, vision, supplemental and full employee benefit packages. We also help clients make sure they are in compliance with various laws and regulations, help them with enrollment and administering their plans.”

Markets: Small to mid-sized businesses, employee benefits

Years in the business: 18

Typical day: “We have about 12 people in the agency, so I spend a fair amount of time managing our staff. I also do quite a bit of public speaking on healthcare reform and risk management. I also teach at the local college.”

How I help clients: “We try to get our clients the best resources, best plan designs and best options available to meet their short-term and long-term goals as well as being in compliance with all of the rules and regulations. Finding the right carriers, finding the right plan designs, evaluating lots of different plans and how it all fits together—it’s a very involved analysis that we go through.”

Needs: “Because of the recent changes in healthcare, there is a real demand for our services. A typical example is a small business owner who came to me because he had a 69 percent rate increase. By investigating different carriers and plans and doing some negotiating, we were able to get his company down to its pre-renewal rate. There are many clients we have helped simply because of our knowledge of insurance and HR law, and our persistence in following up on claims.”

The importance of education and training: “As you might imagine, it takes considerable effort to keep up with healthcare, employee benefits and HR law. We follow regulations issued by DOL, Treasury and IRS. Every Monday, we do training in our office for our staff for four hours. We’ve made a huge commitment to training, but I don’t think we could do the kind of job we do for our clients if we weren’t willing to do that.”

Why use an agent: “We don’t just tell our clients to call an 800 number. We have people in-house who can answer their questions. That’s what makes us stand out.”

What I look for in recruiting new employees: “We look for core values and work ethic. You can teach skills, but you can’t teach morals.”
Health Insurance and Employee Benefits

More than 200 million Americans receive coverage from private health plans through an employer, the individual market or government partnerships, according to America’s Health Insurance Plans. Health insurance allows individuals, families and businesses to protect themselves against the risk of incurring sudden or significant medical costs related to their health.

The large group market typically covers more than 50 employees, while the small group market covers 2–50 employees. Some 19 million Americans purchase their own insurance in the individual market.

Small businesses often rely on NAIFA-member agents and brokers to advise them on appropriate health insurance and employee benefit coverage for their employees. NAIFA members are actively involved in the sale and servicing of these plans as well as individual coverage and other employee benefits such as 401(k) plans, group disability, group life and dental coverage.

NAIFA members have also assisted thousands of Americans to enroll in the new Affordable Care Act Exchanges. For example, according to Bloomberg BNA, 44 percent of the 85,000 individuals who have enrolled in Kentucky’s qualified health plans did so with the help of an agent or broker.

“Clients have thanked me for making differences in their lives, and that’s what keeps me going.”

– BROCK JOLLY

Financial Planning

A number of surveys and studies also point to Americans’ disturbing lack of financial knowledge and lack of planning for the future. According to the National Association of Personal Financial Advisors:

- 56 percent of U.S. adults lack a budget.
- 39 percent of U.S. adults have no non-retirement savings.
- 50 percent of Americans with children have no will.

NAIFA members are acutely aware of the need for educating Americans about the importance of insurance and financial planning. They participate in numerous educational programs and community events, teach seminars and classes on financial literacy, and work tirelessly to explain to individuals and business owners the benefits of financial protection.

NAIFA was the driving force behind the creation of Life Happens, a nonprofit foundation created in 1994 to educate the public on the important role of life insurance through consumer outreach, public service announcements and educational programs in schools.
Shauna Weatherspoon
Agency Manager
Western & Southern Life
Joliet, IL

What my agency does: “We assist families and small business owners in building and protecting who they love and what they care about the most. We figure out what their needs are and help them meet their goals.”

Markets: Women, small business owners, African Americans

Years in the business: 4

Typical day: “I meet with clients to understand and uncover their needs, attend events, follow-up meetings and reviews, and manage a team of advisors.”

How I help clients: “The value I bring is persistence and long-term relationship building. I had a successful real estate broker interested in purchasing some life insurance coverage. It took well over six months for us to just sit down and talk. Then another year just to get to the point of writing a policy. But I was persistent. As it turns out, her husband passed away shortly after we wrote that policy. She had a young family, and the benefits helped her keep the house and maintain her quality of life. I helped another woman save thousands of dollars simply by reviewing her needs and recommending some lower-cost options.”

Needs: “I see a huge need among women for retirement planning, especially those who are single or widowed. They really need to get savvy about their money. Being African American, I also have a passion for that community. Typically in the black and Hispanic communities, you only think of life insurance in the context of burial insurance. When my brother died, he only had burial insurance.”

What I look for when recruiting advisors: “I look for people who have an entrepreneurial spirit and are highly motivated, because being disciplined is critical. They have to be trustworthy and have a lot of patience. They have to want to help people. I encourage my advisors to get involved in community groups. Whatever you’re good at, whatever your life experiences are, use that—be a resource to that group.”
SERVING THE INSURANCE AND FINANCIAL NEEDS OF AMERICANS

Meeting the Needs of Minorities

Many NAIFA members are working in the minority and multicultural markets, putting to use special language and cultural skills to help members of these growing populations.

Hispanics are the largest ethnic minority in the U.S., with a population of 53 million. Nielson reports that Hispanic buying power is estimated to grow from $1 trillion in 2010 to $1.5 trillion in 2015.

African Americans make up 13.7 percent of the total population at 43 million, making them the second-largest minority. Nielson projects their buying power will be $1.1 trillion in 2015. African American households earning $75,000 or more grew by more than 60 percent between 2000 and 2009, faster than the rest of the population.

Indeed, insurance companies report that their fastest-growing markets are now in the Hispanic, African American, Chinese, Korean and Vietnamese communities. NAIFA member Shauna Weatherspoon explains that “typically in the black community, we were raised only to think about life insurance in the context of burial insurance. So educating people about insurance is a very important part of our business.”

Ken Quach, a NAIFA member who has built a thriving agency in the Vietnamese and Hispanic communities, notes, “In every market, you have to be sensitive to the culture. We built a very sustained reputation in these markets. When clients only speak their native language, they will ask you for help.”

Meeting the Needs of the Middle Market

Most NAIFA members serve the “middle market,” households with annual incomes of roughly $35,000 to $100,000. This market tends to be financially under-served compared to upper-middle-class and affluent households.

The middle market is changing as baby boomers retire and are replaced by gen X and millennial workers. These younger generations face financial challenges that most boomers have managed to avoid. Gen X suffered a disproportionate reduction in home values during the most recent housing downturn, and they have a median net worth that is a third of their counterparts from 25 years ago. Younger members of the middle market also must contend with reductions in employer-sponsored healthcare coverage, the decline of defined-benefit pension plans and likely future tax increases to keep Social Security and Medicare afloat.

The middle market is most in need of financial advice from agents and advisors, yet for a variety of reasons it does not always seek help, including distrust of financial institutions, lower levels of financial literacy and lack of access to professional advice. NAIFA members will be focusing on the needs of this market as middle-income Americans seek to build their net worth, purchase first homes, raise families and save for retirement.

Average Household Income of NAIFA Members’ Clients

Source: NAIFA Survey, 2013
Brock T. Jolly, CFP, CLU, ChFC, CLTC, CASL, CFBS
Financial Advisor
Capitol Financial Partners
Founder The College Funding Coach
Tysons Corner, VA

What my agency does: “I essentially have two niche areas: working with small business owners, entrepreneurs and executives to help them with financial planning and executive benefits; and working with families at all income levels who need help funding their children’s college education.”

Markets: College funding, families, executives and small business owners

Years in the business: 14

Typical day: “I have a dozen or so advisors who work on my team. We teach classes regularly through adult education, schools, churches and civic groups called ‘Little Known Secrets of Paying for College.’ It’s a free, two-hour class that prepares parents for the realities of paying for college, strategies for saving and how to apply and qualify for financial aid. I spend my days with parents and clients as well and in meetings with my team.”

How I help clients: “I started a program called The College Funding Coach, and it is the basis for my work teaching and helping parents to save for college. For some parents, it may be recommending a Section 529 education plan, for others it may be a comprehensive financial plan. My clients are at all different levels. All have the same goal, though: they want their kids to get the best possible education while minimizing the financial burden on them. College has gotten so expensive (and it’s growing exponentially) that many parents are at a loss as to what to do. The whole idea is to create a flexible plan that will allow them to pay for the child’s education but also ensure that they can retire one day.”

Needs: “Most people can postpone their retirement a few years if the market is really down, but if you have a child who is turning 18, there’s a pretty strong likelihood he is going to college. You need to have a strategy that is flexible enough to give you options, so regardless of the market, regardless of whether your child goes in-state or out, you’ve got it covered. Parents also need to understand the intricacies of student aid. I recently helped a single mom with a modest income whose son had been accepted into Vanderbilt and Virginia Tech (in-state). The cost of Vanderbilt would have been nearly three times that of Tech, so you might expect that he chose Tech. But I was able to help them qualify for aid and bring the cost of Vanderbilt below the Virginia in-state cost, saving them $35,000 to $40,000 a year for four years.”

Why I do what I do: “I love what I’m doing. My mom used to have this sign over her desk that said, ‘Find a job you love, and you’ll never work a day in your life.’ I think if you talked to anyone who knows me, they would say I’m passionate about what I do. Clients have thanked me for making a difference in their lives, and that’s what keeps me going.”
Meeting the Needs of Gen X and Millennials

The gen X population (born 1965–80) and the larger gen Y cohort, known as millennials (1981–1995), constitute a growing market for life insurance and financial planning products. According to LIMRA, gen X is potentially a larger market now than the aging baby boomers, with an estimated $7.1 trillion in unfunded needs.

The millennials, with a population of 85 million, are expected to out earn boomers over the next decade by $500 billion with total earnings of $3.5 trillion. They, too, are beginning to consider insurance and planning needs as they establish careers and form families.

With these generations, convenience, easy-to-access information and online interaction will be key factors in their insurance-buying decisions. For example, a study by Prudential found that millennials are generally not very knowledgeable about the types of life insurance available and how it is priced. Most believe it is too expensive for them and only necessary if you have a family, high-risk job or are sick or old.

Use of social media and interactive advising through the Internet and video conferencing will become more prevalent as these younger generations begin purchasing insurance and investment products, as will the ability of insurers to customize solutions based on lifestyle habits and online data capture. As the mobile tablet market climbs to an expected 500 million users by 2015, both advisors and clients will communicate more via mobile devices.

Meeting the Needs of Families

Families with young children have traditionally been the biggest purchasers of life insurance because of the financial risk posed by the premature death of a breadwinner. Life insurance proceeds may help ensure that a surviving spouse can continue to raise a family without financial hardship.

Demographic changes now make the need for income-replacement products such as life insurance all the more urgent for families. For example, more than 12 million households are now run by single parents, and one in eight Americans between the ages of 40 and 60 heads a “sandwich family” household. In fact, the traditional nuclear family of two parents with children makes up just 20 percent of the population. The fastest growing family structures now include unmarried couples, single parents, same-sex partners and adopted children.

As Americans live longer, estate planning and business succession-planning have also become important for families, especially where a parent has started a business and needs to pass it on to one or more children. “Succession planning is a huge challenge,” observes Juli McNeely, a NAIFA member who works with family-run businesses and farms.

“So much of what agents do,” McNeely relates, “is act as a sounding board, a counselor. We’re helping clients through transitions in their life.” McNeely has often found herself calling family meetings to go over a client’s finances with the children. “It’s important for families to have these discussions and understand that their parents are going to be taken care of.”
What my agency does: “Our agency has been around for 45 years and was started by my dad. We serve a largely rural, farming community. We provide life insurance and financial-planning services. We spend a lot of time with our clients, especially initially when we ask them for a lot of financial data to determine their spending habits and what their needs are.”

Markets: Small business owners, families

Years in the business: 18

Typical day: “I spend as much time as I can in front of clients. My appointments last sometimes up to two hours. I have many long-term clients, and so we try to catch up, and I also think that clients need someone they can confide in with their financial goals, dreams and fears—someone they can discuss things with and make some decisions.”

How I help clients: “I’m constantly assessing where my clients are and looking at their risks. We’re often helping clients through transitions. As clients grow older, their needs change. At some point, they may want to consider long-term care insurance. They may need help with estate planning. For business owners, they may need group life or a retirement plan. I often connect my clients with other professionals so that we can take care of all of their needs.”

Needs: “I love working with small business owners. What I have found is that many are good at their trade, but they have no idea how to run a business or how to handle their finances. Connecting them with other professionals like an attorney or a CPA, getting them to a place where they don’t have to worry as much about the business and just do what they are really good at—that’s what’s needed. A case in point is a client I have who grew a concrete business from practically nothing to where he now has 20 employees. He came to me and said, ‘I don’t know how to run this thing.’ We got him a new accountant and an attorney. He’s thrilled. He doesn’t have to worry as much. He knows his business is being run well.”

Why use an agent: “Consumers can quickly go to a website and get information, but nothing will substitute for a trusted advisor in those situations where you really need one. You can’t replace what we do. So often, we are helping clients with difficult life changes, and there’s no substitute for that. We’re sitting down with family members and helping them make major financial decisions. That’s the difference we’re making.”
Meeting the Needs of Those Saving for College

Saving for college has become a major financial challenge for parents as the price tag for higher education continues to escalate. A 2012 study by Fidelity Investments found that just 30 percent of parents were on track to meet their college savings goals. On average, parents reported they planned to pay for only 57 percent of their children’s college costs. To make up the difference, they planned to consider loans, grants and scholarships.

Although 78 percent said they didn’t want to burden their children with hefty student loans, it is now estimated that graduates leave school with an average of $25,250 in student loan debt.

The percentage of families saving for college has held steady at 66 percent over the last few years, Fidelity said. And familiarity with 529 college savings plans continues to rise. One-third (33 percent) of parents reported working with a financial advisor to help guide their college savings strategies, and a growing number are asking for advice related to school selection, financial aid, grants and how college costs should be divided between parents and children.

The majority of families (68 percent) who work with advisors said they feel they are closer to achieving their college savings goals than they would be if they hadn’t used an advisor.

NAIFA member Brock Jolly, who offers college-financing strategies to his clients, says that the cost of college has grown faster than any other major expense. Indeed, a Bloomberg study found that the cost of a college degree in the U.S. increased 1,120 percent over a 30-year period, four times faster than the consumer price index. “You really have to do some planning to prepare for college these days,” he says. “Many of my clients have their assets tied up in their homes or in retirement plans. We have to work hard at finding the right strategy that combines savings, scholarships and student aid.”

“You have to sincerely want to help people. If you do, people will send you more business than you can handle.”

– KEN QUACH
Meeting the Needs of Those Preparing for Retirement

The senior market is a large and growing market for NAIFA members as boomers begin to retire and seniors seek to protect themselves against outliving their savings or not having enough money to pay for medical care.

Top retirement-related priorities for aging boomers, according to SRI, are having enough money to: retain their financial independence, last through retirement and cover medical expenses.

Yet, in its annual retirement confidence survey for 2013, the Employee Benefit Research Institute found that among workers age 55 and older, 43 percent have saved less than $25,000, and 36 percent have saved less than $10,000.

Only about 30 percent of boomers have a pension plan to draw on for retirement income, so their needs are greater than their parents’ generation for income-producing products such as annuities. Boomers also report they plan to work longer, which means they will need assistance in designing strategies for maximizing their Social Security benefits.

Retiree medical expenses will also be greater. Fidelity projected that a 65-year-old couple retiring in 2013 would need $220,000 to cover their medical expenses throughout retirement.

NAIFA members assist senior consumers in evaluating their need for Medicare supplemental insurance or Medicare Advantage plans to assist with spiraling costs. They also help consumers choose Medicare Part D plans that fit their individual prescription and drug needs.

Long-term care (LTC) insurance protects retirement savings and alleviates financial hardships that might otherwise impoverish a family paying for long-term care needs. LTC pays for services to help policyholders perform certain daily activities such as bathing, eating and dressing. According to the NAIC, life insurers collected $10.9 billion in LTC premiums in 2012.

“We assist families and small business owners in building and protecting who they love and what they care about the most.”
– SHAUNA WEATHERSPOON
Meeting the Needs of Businesses

Business owners need insurance for income replacement and to protect the future of their company. Without insurance, if a partner, owner or key employee suddenly dies, the business may ultimately fail.

Agents and advisors work with business owners to write what is called “key person” insurance on the lives of key people in the company. The benefits of the policy are designed to help fund the continuation of a business, buy shares of the company from the survivors or provide a living income to surviving family members.

An insurance agent can help determine the best type of insurance for a business, who should own the policies, how much insurance to purchase and how to structure the policy.

Some insurance agents specialize in the employee benefits and group market, which requires knowledge of healthcare and benefit plans, and HR law. Insurance agents and brokers can help business owners choose health insurance plans and other benefits that meet the needs and budget of their company.

Many agents and brokers act as employee benefits managers for small and mid-sized employers that may not be large enough to have a dedicated employee benefits manager. NAIFA members serve as benefits consultants, reviewing their clients’ plan options, assisting with state and federal compliance, administering their benefit plans on a daily basis and structuring affordable programs for their employees.

The Affordable Care Act has also resulted in numerous changes in health coverage requirements. NAIFA member Cammie Scott has helped her clients in the small group market navigate changes in the law and meet new regulations. “It takes a tremendous effort to keep up with all of the new rules,” she says, “that’s why our agency has made a huge commitment to training our people to better serve our clients.”

![Typical Size of Businesses Served by NAIFA Members](image)

Source: Advisor Today Reader Survey, 2013
This report provides a snapshot of the insurance and financial advisory profession and glimpses into the day-to-day practices of several NAIFA members. It highlights who they are and what they do to serve the specific needs of their clients.

However, the insurance and financial market is rarely stagnant, and NAIFA members are adapting their practices to meet new challenges.

Advisor 2020: The Forces and Opportunities Shaping the Financial Services Advisor of the Future, is a cutting-edge research project published by the GAMA Foundation and sponsored by NAIFA that lays out the forces driving changes in the market and industry and provides ways advisors can meet the changing needs of clients. The research identifies “six change drivers for 2020.”

1. **Practice development in a diverse economy.** Advisors will need to develop skills to serve growing diverse and niche markets including second-generation immigrants, socially mobile women, baby boomers exiting the workplace and millennials.

2. **The shifting needs of consumers and advisors.** Advisors will need to find solutions that address the new risks to modern families, including single-parent families, unmarried couples, same-sex marriages and families formed by divorce and remarriage.

3. **Technology for powerful sales and service.** Advisors will have powerful customer relationship management systems that integrate social media and data to provide sales and service insights anytime, anywhere. Successful advisors will combine excellent communications skills with the right technologies to stay connected with their clients.

4. **Managing privacy and security in the networked age.** Advisors will be increasingly networked and will have access to a wide variety of personal data on their customers. Advisors will be expected to ensure that client and corporate data are used appropriately and protected from cybercrime and other threats.

5. **Advanced tools and insights for advisors and consumers.** Successful advisors will be skilled in working with big data and translating it into practical information that they can use for their practices.

6. **Shifting business models redefine the industry.** A combination of market, technology and regulatory changes will force greater competition and consolidation in the industry. The middle market will grow based on new products and many smaller firms will thrive by embracing a culture of shared values.

As illustrated by the practices of Brock Jolly, Julie McNeely, Ken Quach, Cammie Scott and Shauna Weatherspoon, NAIFA members have already begun responding to these market changes. In the preceding pages, we’ve seen examples of advisors placing strong emphasis on serving the needs of the middle market; catering to niche markets, such as minorities and immigrant communities; mitigating risks faced by single-parent families; and helping small businesses protect their interests and those of their employees and clients in the face of complex legislative and regulatory challenges.

To continue to serve America’s families and small businesses, advisors will continue to redefine and reinvent the value they provide their clients in the face of changing market and financial forces. Fortunately, NAIFA members are forward-thinking by nature. Their unique ability to plan ahead and adjust to consumers’ changing needs will ensure that they will continue to serve as an essential consumer resource, securing America’s financial future.
NAIFA CODE OF ETHICS

PREAMBLE: Helping my clients protect their assets and establish financial security, independence and economic freedom for themselves and those they care about is a noble endeavor and deserves my promise to support high standards of integrity, trust and professionalism throughout my career as an insurance and financial professional. With these principles as a foundation, I freely accept the following obligations:

• To help maintain my clients’ confidences and protect their right to privacy.

• To work diligently to satisfy the needs of my clients.

• To present, accurately and honestly, all facts essential to my clients’ financial decisions.

• To render timely and proper service to my clients and ultimately their beneficiaries.

• To continually enhance professionalism by developing my skills and increasing my knowledge through education.

• To obey the letter and spirit of all laws and regulations which govern my profession.

• To conduct all business dealings in a manner which would reflect favorably on NAIFA and my profession.

• To cooperate with others whose services best promote the interests of my clients.

• To protect the financial interests of my clients, their financial products and my profession through political advocacy.