

BUILDING AND NURTURING STRATEGIC ALLIANCES WITH PROFESSIONAL ADVISORS*

Ideas That May Involve Life Insurance



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Who Are Potential Strategic Alliances?

Many life insurance producers are collaborating with a client’s other professional advisors in order to provide more comprehensive planning services—including financial advisors, Certified Public Accountants (CPAs), Enrolled Agents (EA), business or estate planning attorneys, employee benefits firms, property and casualty agents, etc. Typically, the producer will hand-pick their group of professional advisors based on similar philosophy of business/practice and with a similar client base. The producer may want to have a “core” team of professional advisors to work with on a regular basis, and a secondary team to work with on an as-needed basis. Together, this team of “strategic alliances” can help clients conduct comprehensive planning without the clients having to seek out individual professional advisors on their own for each and every area of planning.



Who Benefits from Potential Strategic Alliances?

Everyone Benefits—Just in Different Ways

Professional advisors, like CPAs, may be able to expand their professional services and offer more comprehensive resources to clients, which may make their practice less “tax season” driven and provide more consistent revenue. Clients certainly may benefit by having a team of professional advisors and life insurance professionals reviewing their needs and goals, and working together to address those needs and goals in the most efficient way possible. And life insurance professionals are able to offer the proper funding for various strategies that address the client’s goals and needs, resulting in potential sales opportunities. See below for an example of how the strategic alliance team could work together to help a business owner client reward and keep a key executive.

CLIENTS

- More planning needs may be met
- Better overall service via a team approach (one-stop shop)

PROFESSIONAL ADVISORS

- Provide better client support/increase revenue from existing clients
- Retain existing clients
- Potential for new (referral) clients/generate more revenue
- Expand firm capabilities/resources (remain competitive)

LIFE INSURANCE PROFESSIONALS

- Create a source for quality referrals (less prospecting)
- Add to your network of resources
- Become a leader/member of the planning team
- Better access to wealthier clients and business owners (and longer-term relationships)

STRATEGIC ALLIANCE TEAM IN ACTION

Example: Business Owner Seeking Non Qualified Deferred Compensation Arrangement to Retain a Key Executive

1. CPA evaluates business owner’s revenue and advises regarding tax issues
2. Business attorney drafts deferred compensation agreement
3. Life insurance professional proposes cash value life insurance as informal funding vehicle for the deferred compensation arrangement, and
4. Business retains the key executive and potentially receives a tax deduction down the road when the deferred compensation benefits are paid to the executive



How Professional Advisors Can Expand Their Client Base

3 Main Options

Many professional advisors are aware of the benefits previously described and want to expand their client base. Clients often may need services that involve areas of expertise that the professional advisor does not possess, so they may want to acquire the expertise needed in order to offer those services and expand their client base. Generally, there are three ways a professional advisor can obtain this expertise:

1. **Buy the expertise**
2. **Build the expertise**, or
3. **Form alliances to obtain the expertise**

The first option, to buy the expertise and bring it in house, means buying an outside firm that specializes in the expertise the professional advisor wants to add to his or her existing practice. For example, if a professional advisor wants to offer financial planning to his or her clients, he or she may search for and acquire a financial services practice.

The second option is to build a broader practice from the ground up. When it comes to building a practice from scratch, a professional advisor must have the right infrastructure in place, including hiring and training people. This option is likely the most time-consuming, as it could take many years to broaden a practice in this manner.

Last but not least, professional advisors can form strategic alliances with an individual or individuals outside the advisor’s firm – and they work collaboratively to help clients. This third option may be a much more effective way for professional advisors to expand their client base. Let’s compare the pros and cons of each method.



BUY EXPERTISE OR BUILD EXPERTISE

Pros	Cons
<ul style="list-style-type: none"> ▪ Assume complete control over business and management ▪ Potential increased revenue ▪ Improved services to clients 	<ul style="list-style-type: none"> ▪ Time and expense ▪ Potential liability ▪ Ethical and/or regulatory liability

FORM PROFESSIONAL ALLIANCES

Pros	Cons
<ul style="list-style-type: none"> ▪ Minimal or no time and start-up costs ▪ Improved services to clients ▪ Access to strategic alliances’ subject matter and/or product expertise 	<ul style="list-style-type: none"> ▪ Reputational risk ▪ May involve giving up some of the revenue ▪ Potential lack of control for professional advisors

Working with Your Team of Strategic Alliances

The team members may be concerned about whether everyone is on the same page. They likely want to make sure that the other strategic alliances have the expertise that they say they have. From a professional advisor's perspective, understandably, they may be hesitant to open up their book of business due to the potential risk of jeopardizing existing client relationships. Professional advisors want to minimize "reputational risk."

Here are some suggested steps to take to help build and nurture a successful team of strategic alliances:

Next Steps

1 CONDUCT A TEST DRIVE

One suggestion to help minimize these concerns is to set up a test drive. The professional advisor could volunteer himself or herself as the test-case (standing in as a "client") and the team prepares a plan to meet the "client's" needs. Alternatively, the professional advisor could propose an existing client for the test drive (with the client's permission, of course) or even a close friend/family member could serve as the test case/test client.

By taking the alliance relationships for a test drive, everyone can get a better sense of how they work with a particular set of facts. And the professional advisor can better determine if the life insurance producer's approach fits with the needs of the professional advisor's practice, which should minimize any potential reputational risk.

2 DEVELOP A BUSINESS PLAN

Assuming the "test drive" with your strategic alliances was successful, the next step is to develop a business plan together. All parties need to determine which services will be offered to the clients and who will provide those services. For example, for a client who needs business succession planning, the attorney would be responsible for drafting the buy-sell agreement, the CPA or other accountancy professional could assist with tax advice and valuation of the business, and the life insurance producer could assist with proposing cash value life insurance options as the funding for the buy-sell arrangement.

Some questions that you should discuss with your strategic alliances include the following:

- Which team member(s) will maintain control over the client relationship, and how will that take place?
- Which team member(s) will participate in the client meetings?
- Where will the client meetings take place? In the professional advisor's office, or elsewhere?
- Which team member(s) will participate in the client meetings?
- How will the team communicate with each other regarding the planning process?
- Will each team member's proposed plan or strategies be discussed with the whole team before they are proposed to the client? And, if so, in how much detail will they be discussed?
- When one team member brings a client to the rest of the team, how does the team meet and get to know the client? For example, will the initial introduction take place via a conference call, in-person meeting, letter, or merely a professional advisor passing along the client's contact information?
- How will the team members decide how to identify clients who would benefit from the team's combined services?
- How will each team member benefit from the strategic alliance?

Working With Your Team of Strategic Alliances

Next Steps (continued)

3 IDENTIFY CLIENTS

There are a number of ways the team can go about identifying clients who have planning needs from various disciplines. One way to identify these clients is to invite clients to an educational seminar or appreciation event. Another option is for the professional advisor(s) to review client files and databases to identify candidates that fall within a certain category. For example, a CPA could run a query on the client database/software using certain parameters, i.e., net worth, prior income or gift taxes paid, business owner status, the types of deductions taken, etc. Another idea is for the advisor to use various data gathering tools like fact finders and questionnaires. A professional advisor may already have fact finders that he or she has received from clients to keep their files updated. Furthermore, you may want to offer a policy review to your clients with existing life insurance policies, as this could reveal additional planning needs. See our “Business and Life Insurance Needs Analysis Questionnaire” for ideas on questions to ask during the client meeting.

4 ENSURE ALL PARTIES ARE BENEFITING

Remember that it works best if all the team members are gaining a benefit—with the client at the top of that list.

Client

- One-stop shopping
- Will not outgrow a professional advisor
- Better overall customer service

Professional Advisor

- Increased revenue via existing and potentially new clients
- More competitive practice
- Better client service and client retention

Life Insurance Professional

- Enhanced credibility via trusted advisor
- Greater access to high net worth clients/business owners
- Sales opportunities relevant to clients' needs

Forming Strategic Alliances – Things to Consider

Do you understand each other's practice/business?

- Similar philosophy/mindset/chemistry?
- Similar clients (net worth, markets)?

Are the other team members independent?

- Is the life insurance professional aligned with one or more carriers?
- Is the professional advisor aligned with another company/firm?

What are you looking from each other?

- What are their levels of expertise?
- Seek multi-disciplinary group of professionals
- Determine hierarchy (hub and wheel approach?)

How will team members choose clients to refer?

- Professional seeking to create an alliance makes the first referral
- Make sure everyone makes proactive referrals
- Prepare clients before referrals (prepare for potential objections)
- Determine hierarchy (hub and wheel approach?)

Know that it will be a process, not an overnight phenomenon. Be the first to make a referral/invest in the relationships.

Whom Should You Consider as Strategic Alliances?

Life insurance producers who want to form a team of strategic alliances with professional advisors should first consider what types of clients they think would best fit their sales/business model. For example, a life insurance producer who wants to focus on building their business owner client base may want to target professional advisors who work primarily with businesses and business owners. The chart below helps illustrate this and provides additional examples.

Type of Clients/Planning Desired / Professional Advisors to Target

<p>Business owner clients</p>	<ul style="list-style-type: none"> ▪ CPAs ▪ Business planning attorneys ▪ Commercial lines P&C agents ▪ Employee benefit firms
<p>High net worth estate planning clients</p>	<ul style="list-style-type: none"> ▪ Higher-end CPAs ▪ Estate planning attorneys ▪ Higher-end investment advisors
<p>Clients with family protection and supplemental retirement planning needs</p>	<ul style="list-style-type: none"> ▪ Personal lines P&C agents ▪ Smaller CPA firms ▪ Investment advisors





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