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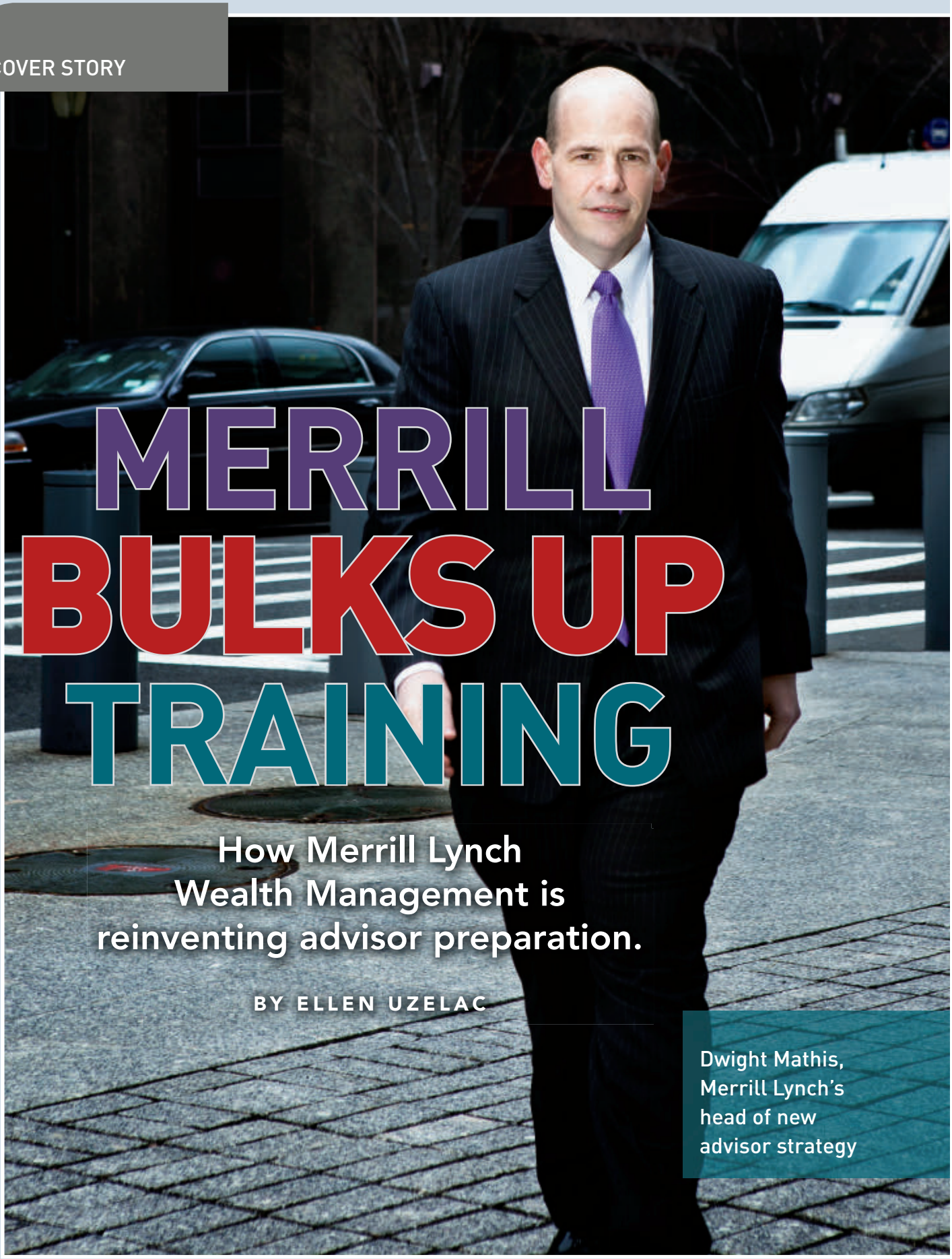


MERRILL BULKS UP TRAINING

How Merrill Lynch Wealth Management is reinventing advisor preparation.

BY ELLEN UZELAC

Dwight Mathis, Merrill Lynch's head of new advisor strategy

NATALIE BRASINGTON

MERRILL BULKS UP TRAINING



In a bold bid to boost performance, Merrill Lynch Wealth Management has re-engineered its iconic training program—adding a national curriculum, compensated mentors and, even, "breathing breaks."

The move is likely to be watched closely by industry insiders. As recruiter Rick Peterson, who heads Houston-based Rick Peterson & Associates, frames it: "I'm not sure any training program has been judged to be good, not when historically only two out of 13 trainees make it in this industry after five years. Any new approach is better than anything that's been tried in the past. The fact of the matter is we desperately need new financial advisors."

The changes in Merrill's training program aren't tweaks but wholesale revisions that started in 2011 as part of the firm's ongoing mission to create what Dwight Mathis, chief of new advisor strategy, calls "the Ivy League of financial advisor training."

What is the difference between today's training program and the one Mathis himself graduated from in 1998? A lot. Traditionally, Merrill trainees have undergone a six-week development program at national headquarters followed by two years of salaried training at a branch elsewhere in the country. The result: a high degree of variability in success rates.

"When I first took this job, I looked around at all of our complexes to assess results. You quickly see that some complexes had graduation rates greater than 50% year in, year out while others were well below the national average," Mathis says. "Variability is quality's enemy. We had 120 complexes with 120 different methods of delivering training."

As a result, Merrill two years ago hired an executive for each of its 11 geographic markets to head what it officially calls its Practice Management Development, or PMD, training program. There are also PMD coordinators in each of the 120 complexes whose job is to deliver the national program locally. Notably, the two-year training program has gone by the wayside. It is now 43 months long.

In the past, Merrill placed an emphasis on hiring people with sales experience. No longer. "Often sales experience does not correlate to future sales success," observes Mathis. "Often when they were looking for work, it was because they weren't very good at sales." Instead, the firm is reaching out to "high achievers" such as decorated military veterans, athletes, successful attorneys and accountants, and college students at the top of their class. And, for the first time, Merrill has made the certified financial planner designation a requirement of the curriculum.

NATALIE BRASINGTON

BY THE NUMBERS

$100,000
average yearly investment in one Merrill Lynch trainee.

75.4%
portion of revenue that comes from advisors who started their careers at Merrill Lynch.

4,300
number of current advisor trainees.

36,000
number of applications the firm receives per quarter for roughly 300 advisor trainee spots.

67
years Merrill has had an advisor training program.

15,000
volunteer hours logged by trainees in under four months as part of a new program that encourages advisors to contribute to their communities.

> "You have to overcome previous experience, good or negative."

The firm has also identified three "derailers" it doesn't want: difficulty coping with rejection, a shaky work ethic and poor appetite for risk.

With new content still being added this year, it's too early to give the overhauled program a grade. But preliminary results are promising. Last year, an unprecedented 68% of advisor trainees hit their production goals, resulting in record high revenue.

"What we're trying to build is the most professional, client-focused sales and investment training program in the industry. If you're part of that program, it's going to be hard. We don't apologize for the standards," says Mathis.

"Still, we have a responsibility to these PMDers when we hire them to help them grow and graduate. One of the things that disturbs me in this industry is when you hear people talk about throwing new hires against the wall and seeing if they stick. If someone is not successful, I feel it's our fault as an organization. We have to build a structure and process that is so good the outcome is much more predictable."

THE LEARNING EXPERT

ADULTS LEARN DIFFERENTLY THAN CHILDREN, a factor that Corey Rewis, head of PMD learning and development, has incorporated into the new curriculum.

"Kids will learn something because they don't know not to. Adults distill what they learn through previous experience," he says. "When you teach introductory sales training, they'll say 'I've been through training like this before and it didn't help.' You have to overcome previous experience, good or negative."

Timing—the point at which a concept is introduced—is also key to adult learning. Two years ago, the PMD program launched what was expected to be a first-rate sales training initiative. It was a bust.



THE LEARNING EXPERT
COREY REWIS

"Every single trainee said 'I don't need this.' Motivation to engage was very low. Three months later, when we placed it in a training cycle after they had had the opportunity to do some sales, they were now saying 'Help me.' Adults always have to know how what they are going to learn will benefit them," notes Rewis. "At the end of the day, they retain some piece of information because of how you structure it."

Merrill has also added customized "learning paths." As an example, a trainee with some advisory experience receives targeted material about licensing that differs from that directed to a trainee with no investment experience. And, in a nod to "less is more," the training program dramatically reduced the amount of content it delivers from over 500 discrete activities to 275.

"We're constantly refining," Rewis adds. "It's the Disney approach. It's always a case of better than yesterday but not as good as tomorrow."



THE HEALTH CHAMPION
MATTHEW CROSS

THE HEALTH CHAMPION

WHAT DO BREATHING BREAKS, CORRECT posture, hydration, exercise and a spoonful of cod liver oil a day have to do with creating a successful financial advisor? Everything, according to Matthew Cross, who designed the new third-year curriculum to help the trainee make the transition to full-fledged advisor.

"Everyone is a wealth champion but they must first be a health champion," says Cross, president of Leadership Alliance, a consulting firm in Stamford, Conn. "What we do is help advisors define key levers of success and key barriers that might trip them up. In many cases, it's health. If you're healthier, you are happier, and the odds of you being a long-term committed member of an organization go through the roof."

The curriculum, based on the Japanese *hoshin kanri* strategic priority alignment process, helps the trainee prioritize. "They get very clear on the right things to do in the right order at the right time," Cross says. One key concept of the training is the "First 15%" rule, which says that 85% of the results you will enjoy in a day lie in the first 15% of that process.

The central component of the third year of training, called the PMD Passport program, comes with a "peak performance" passport that advisors use to track their progress and happiness.

"PMD Passport is a year-long deep development program that helps third year PMD FAs master strategic intent, mental awareness and nutritional alignment," says Mathis. "We believe that the skills developed in this program are the passport to a productive and sustainable career as a financial advisor."

Cross amplifies: "These are the most invested advisors. It takes a tremendous amount of energy and focus to get to this point. Now they are making that leap to a new frontier. They are at a very vulnerable point but a huge opportunity point. This supports them strategically and tactically. It gives them extra confidence and another way to connect the dots."



THE MILITARY VETERAN
LEWIS RUNNION

THE MILITARY VETERAN

MERRILL IS MAKING A BIG PUSH TO HIRE veterans—and no wonder.

As advisor Lewis Runnion, director of the firm's year-old Military Affairs Advisor Group, observes: "They come with some key components—integrity, leadership, teamwork, an accelerated learning curve, entrepreneurship and, given a task, the ability to figure out a solution. They know how to assess risk and make a decision. All of these qualities are important in the advisory business."

Last year, Merrill hired 200 veterans, the majority of them into the PMD program. Runnion, a former Army

Top Tactics for Getting Clients

When Merrill Lynch Wealth Management executives surveyed their top 250 acquiring financial advisors last year, the firm identified several key tactical client acquisition strategies responsible for the majority of new business results.

During their third year, advisor trainees are introduced to the top tactics as part of what Merrill calls its Optimal Practice Model, focusing on business management and development, planning, investments and financing, relationship management, and service and administration.

Here are three of the strategies:

- **Targeted seminars:** The idea here is to organize an event around the needs and interests of the client. As an example, one Merrill advisor—whose client owns a Mercedes dealership—held an event on investments for the dealership's clients. Another hosted a retirement celebration for a client and dozens of the client's friends. The advisor spoke briefly at the party about the transition to retirement. "It's not rocket science but it's really smart," says Dwight Mathis, who heads new advisor strategy. Merrill helps fund the seminars up to a point.
- **Intimate events:** Every month, advisor Carl Cafaro hosts a lunch for no more than eight clients in a private room at a restaurant. He also invites a "topic expert" like an economist or an identity fraud specialist to join them. "If you are running a practice with a certain amount of exclusivity to it, you don't necessarily want to have 80 or 100 clients in the room if you don't have to," says Cafaro, who manages $1.2 billion in assets from offices in Newton, Mass. The goal is to invite all of his clients to one lunch a year. "I want to show my clients we're really focused on them and their needs," he adds. "Best yet, one client will meet another at lunch and realize they can add value to each other."
- **Strategic networking:** Several top Merrill advisors use "passion prospecting" to build client networks. One advisor who races Porsches has developed a long list of new clients who are also passionate about racing. "The idea is to put yourself in an environment you are passionate about to make connections and build relationships," says national business development officer Erin Buhler. Another advisor, a chef, invites prospects and clients to his home and cooks for them. Other advisors have developed clients through their love of fine art. "They invite other clients and prospects who have that same level of appreciation to a cool venue like an art museum and talk passion," says Buhler. "It's all about pulling people together around common ground." *–E.U.*

> "The most important thing is a perspective check."

captain, says the biggest challenge veterans face is managing expectations and navigating the corporate culture.

"I had a new hire call me 'Sir' three times. I told him 'I was a Sir in the military. Now I'm Lewis.' They also want to know the chain of command," adds Runnion. "What's the relationship between the complex director and the PMD training director? In the military it's very clear. When you transition from active duty to the private sector there is a bit of the unknown in terms of what my career looks like. In the military, we don't always know where but we know what our next job will be."

Chris Wilkins, 32, is a former Marine captain who is in his second year of the program. He currently manages $14 million and is part of a team in New York City.

"The most important thing is a perspective check. I lived in some rough environments in the Corps. No matter how bad a day is here, everyone still goes home at night. No one lost a leg today," says Wilkins, who did duty in Iraq. "Also, it's nice to try something new. I don't have to be worried about 150 Marines. It's nice to just be responsible for myself."

THE MENTOR

Last year, Merrill launched a formal mentorship program for trainees—a strategy that has led to teaming, an industry best practice.

MERRILL BULKS UP TRAINING

"I do it because I had people who took interest in my career early on," says senior advisor David Lund, who currently mentors four trainees at his offices in Grand Rapids, Mich. A PMD graduate recently joined the practice as a partner. "I've taught them some things but they've taught me too."

Lund, who manages $1.5 billion in assets, says he pushes over-preparation, clear and confident communication, accountability and a strong work ethic. What have his mentees taught Lund? First, to text. And, in feedback sessions, trainees have told Lund that he can be too technical when talking with clients. He's tried to correct that behavior.

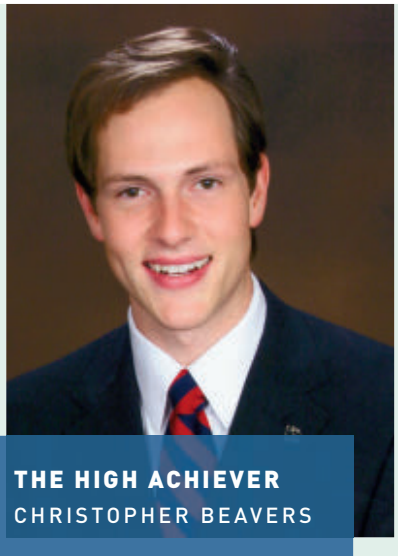


THE MENTOR
DAVID LUND

A few of Lund's clients have been especially receptive to the trainees.

"I have one retired executive who knows what we are trying to build and that's the next generation of advisors," says Lund, 38. "On almost every call with this client, one of them is in the room participating in the discussion. We've gotten to the point where we've built a lot of trust—where we can address issues without attacking the individual. I ask them for feedback and I take it. It also gives me the opportunity to say 'Hey, you did really well on that call but there are one or two things you probably need to work on and here's why.'"

The 1,800 mentors in the program are compensated, sharing a portion of the assets that the trainees bring in. "I need to focus on my clients and there's an awful lot of business I can't get to that I can do together with these guys and gals," Lund says. "Everybody wins."



THE HIGH ACHIEVER
CHRISTOPHER BEAVERS

THE HIGH ACHIEVER

In his PMD passport, Harvard graduate Christopher Beavers has jotted down a few lines that resonate with him: *Worry causes destruction in learning. Peak performance is achieved only when happiness is achieved. If you put your mind to it, you can achieve anything.*

Trained as a classical pianist, Beavers, 26, says: "I knew very well coming into it that this is one of those businesses where five make it and the other 95 don't. I've always been one of those people who like to defy the odds, to do whatever it is I can do best. I thrive on challenges."

With $53 million in assets under management, Beavers, who is based in Fort Worth, Texas, is set to graduate this year. He calls himself a "social prospector" who sits on a half-dozen community boards he is passionate about. He says he has worked with great mentors who have been generous with their time. And he believes he has built a practice that will be sustainable going forward.

His goal: to be the fastest million dollar producer based on length of service that his complex of 100 advisors has ever seen. The current record is seven years.

"This is an incredibly difficult job, an emotional roller coaster," Beavers says. "Every day you've got to wake up with a positive attitude and tell yourself: 'This is the day something big is going to happen.'"