ROOKIE SURVIVORS

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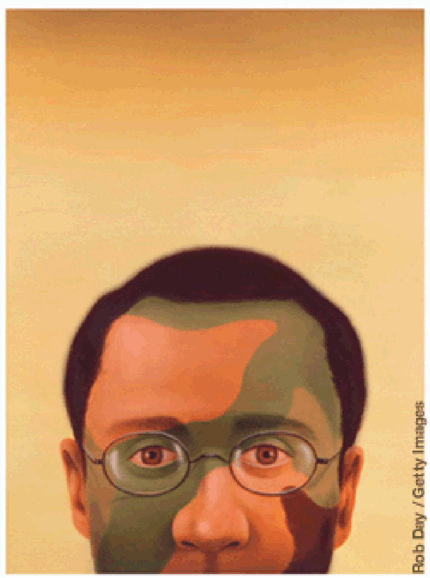
Newly minted advisors, fresh out of training program, more often fail than succeed. Add a credit crisis, a market crash and a recession to the mix, and most green FAs quit before year one is up. Here's a handful who are bucking the odds.



Succeeding in the financial advice business isn't easy. We don't have to tell you that. But spare a thought for the newbies. Failure rates for beginngers during their first four years in the business are notoriously high. This trend persists, despite the firms' best efforts to improve training programs, and to screen and select candidates more carefully. Identifying young people who can be successful is difficult. Nurturing those with potential takes skill.

Darin Manis knows this cold. He's the founder of RJ & Makay, a recruiting firm that does big business with the national brokerage firms, finding and placing roughly 100 trainee candidates in their programs each month. Manis says the statistics clearly show how tough the business is: On average, 50 percent of trainees make it past the first year of production, 33 percent make it past three years, and 20 percent make it past year five. And training doesn't come cheap.

It shouldn't come as any surprise that those numbers improve in bull markets and worsen in bear markets. For starters, financial advisors are like small business owners, and so are vulnerable to what's causing small businesses everywhere to go belly up — credit contraction, cash-strapped consumers, loss of trust, and the list of obstacles goes on. (A sign of the times? According to Equifax, small business bankruptcies shot up 81 percent in June versus a year ago.)

In fact, the long-term success of advisors is largely determined by whether they started in a bull market or a bear market, says Andre Cappon, co-founder of the CBM Group, a boutique consulting firm that specializes in sales force management for financial services firms. Advisors who began in bear markets are 50 percent less likely to make it to year four of production than those starting in bull markets, according to Cappon. "It's a virtuous circle in a bull market. You recommend a stock, it goes up and the client rewards you with more money next time," he says. "In a bear market it's a vicious cycle, the client loses money and asks, 'Why should I give you any more?'" Cappon says studies his firm has done in the U.S., Canada and Italy have borne this out. "Of course, there will always be exceptions," says Cappon. "But from what I've seen this is generally the rule."

The four advisors of varying shades of green profiled on the following pages are fine exceptions to that rule. All of them have experienced the worst market decline since the Great Depression and are thriving in an incredibly fragile economic environment. So if you're new to the business and struggling to hold on, or if you're a veteran in a rut, let these four FAs serve as inspiration: exceptions to the rule.

JOHN DEEGAN

Firm: Wells Fargo Advisors

Location: Rockaway, New Jersey

Age: 33

Education: BA, dual degree in Marketing and Professional Golf Management, Coastal Carolina University

Trailing 12-month production: $223,000

AUM: $11 million

Sage advice: Do what you've set out to do, no excuses. Stick to what you promised clients in your first meeting.

John Deegan

If starting a financial advisory business in the deepest market decline since the Depression is supposed to be hard, nobody told John Deegan. The 33-year-old former golf pro was hired in June 2008, graduated the top producer in his training class in October and has since accumulated $11 million in client assets in a brutal market. Deegan remembers March well. Not only was it the first month of full-time production for him, he says, but he actually brought in some of his best clients. “It was definitely difficult. Nearly every prospect was talking CDs, fixed income, cash. The fear was immense at that point so there was a lot to talk about, to calm them down, to get them to consider long-term investing again,” he says. “Most of those clients are pretty happy with me for that.”

Cold-calling is still very much a part of the life of every FA starting out and Deegan is no exception. In fact, he seems like something of a wiz. He speaks proudly of his “Power 50” sessions, 50-minute sessions of targeted dialing. He does as many as eight sets during the day and into the evening. If he gets a lot of hang-ups or no answers, he might make upwards of 80 calls in that time. But if he gets lucky and scores a lot of conversations, with permission to follow up, he might make only 30 calls. “There's no magic to it. It's about picking up the phone and starting a conversation with people. I used to be terrible at it. Now it's natural,” he says.

Deegan is only just beginning to tap into his network from his golf career. He spent many long hours walking the course, teaching and playing with clients over the years; he has built some lasting relationships. But he's being cautious so far. “The logic, of course, is that I needed to learn the business before I started reaching out to my old network,” he says. “I didn't want to hear, ‘Hey, you were only recently teaching me golf, right?’”

Deegan knows the current rally won't last, so he wants his clients to know they can trust him once things get turbulent again. “I want to know about their lives, their goals for their money,” he says. One couple he recently added as clients told him they were shocked, albeit pleasantly, to be talking about college, travel, wedding plans and other events with their financial advisor, as if that were strange. Given his approach and success thus far, Deegan's goal of reaching $30 million in AUM and $500,000 in production in 2010 doesn't seem unlikely, no matter the market.

ALAN GERSTENSCHLAGER

Firm: Edward Jones

Location: Sparta, Illinois

Age: 45

Education: B.S., Industrial Technology, Southern Illinois University, 1986; M.S., Logistics Management, Florida Institute of Technology, 1995; Army Command and General Staff College, 2001.

Trailing 12-month production: $255,000

AUM: $37 million

Sage advice: Be honest with clients and prospects about where they stand financially.

Retirement didn't suit Alan Gerstenschlager, even after 22 years and 21 days in the United States Army. Lieutenant Colonel Gerstenschlager didn't want to sit back and watch the sun go up and down — he wanted to work.

Alan Gerstenschlager

"I was sixteen when I earned my first real money, $20 for bailing hay for two days," he says. Gerstenschlager brought it to his German grandmother for advice. "She told me to give half of it to the collection plate and sock the other half away for when I was too old to work," he says. She also told him whatever he did in life, if money became a problem he had two options: either change the way you're living or find a way to make more money. But he also witnessed his mother — who had a financial advisor — spend down her savings well before she died.

So when a friend invited him to dinner as a thank-you for helping him with his 401(k) and brought along another friend, an Ed Jones recruiter, he made the leap. He entered Jones' training program in February 2007 and emerged in July just in time for the beginning of the deepest recession since the Depression. But today, after only 2 years in the business, he manages $40 million in assets for 375 families in and around Sparta, Illinois.

Roughly 90 minutes south of St. Louis, Sparta is a business hub for a dozen or so surrounding towns, most of which have fewer than 5,000 residents. The primary business is farming, but the coal industry and the prison system are big business, too. For many of his clients, land is by far the biggest asset, so estate planning and wealth transfer options are some of his most important services.

Gerstenschlager says his military background certainly helps open doors in this part of the country, but he attributes much of his success to an unrelenting work ethic: His only regret during the market's worst days from November through March — not working more Saturdays.

"Whether it's at church or the Rotary parade, people like to chat," he says. And he thinks that in light of what's happened over the last 18 months, more than ever people are looking for someone to be straight with them. "My mother's advisor didn't tell her she was burning through her savings and that stuck with me," Gerstenschlager says. "You have to have the strength to tell people where they're at with their retirement planning and be honest with them the whole way."

PETER GRAVE

Firm: Morgan Stanley Smith Barney

Location: Boston, MA

Age: 29

Education: BA, Economics, University of Colorado

Trailing 12-month production: $150,000

AUM: $250 million (part of team)

Sage advice: Commit on day one to growing a practice or get out of the business.

As the junior FA in the RGL Group, a team of three FAs in Morgan Stanley Smith Barney's Boston office, 29-year old Peter Grave has had to leap over some pretty high hurdles during his first two years in the business. Expected to raise between $10 million and $20 million in net new assets each year, Grave hit the middle of that

Peter Grave

target last year and is on track to do it again, no small achievement in an environment marked by investor fear (despite the recent rally).

Grave is the team's leader in providing wealth management services to executives. Boston's C-level executive community, particularly among the growing biotech and VC sector, is where he does most of his prospecting. He says he's on the look-out for "liquidity events" that dump piles of cash in the laps of these company leaders and entrepreneurs. Creating and implementing planning strategies such as 10b5-1 plans, crucial tools for executives saddled with large concentrated stock positions, can quickly earn him trusted advisor status.

One important tool he uses for finding these folks is Infinata's High Net Worth Insights database. The software lets him track new company hires, venture capital financing, M&A and insider stock transactions or even search by alma mater, among many other filter options. Grave and his team are approved by his firm for access to investment banking opportunities as well, which were solid in September as Morgan Stanley handled eight IPOs in a two-week span.

"I actually think there's a lot of opportunity out there," says Grave. The beginning of the year made prospecting nearly impossible as clients demanded his team's full attention, but he says his calendar has slowly begun filling up again with potential new client meetings. "Everyone knows there are a lot of disappointed, frustrated clients out there," he says. "We're talking to a lot of folks and we've just been asking them if their current advisor had a plan for them and if they're happy with how it's going. That's been revealing."

Asked how he thinks he's made it this far, Grave says "attitude." Everyone in the training programs is smart and talented, he says. "But how committed are you to building a practice? If you showed up on day one waffling about it and then the crash came, well that was a very tough period there that I think shook a lot of those people out," he says.

BRUCE UBER

Firm: Merrill Lynch

Location: New York, NY

Age: 50

Education: BS, Business Management, Boston University; MBA, Fordham University.

Trailing 12-month production: N/A

AUM: $45 million

Sage advice: Be optimistic. The most successful FAs I know and admire just keep putting one foot in front of the other. They believe.

If trainees could be classified like investments along the risk spectrum, right now Bruce Uber might be considered a large-cap dividend paying stock.

The 50-year-old Uber was hired by Merrill in 2005 and has been in production for just over three years. And

Bruce Uber

while he admits 2008 was “difficult,” his production is up 24 percent this year and assets are up 40 percent. Having come from more than one previous career, including many years as a copier salesman for Xerox in New York as well as a stint at a family office, Uber has both a larger and more mature network of potential clients than the typical rookie FA; he says he's making the most of it. “At my age and where I've come from, it was more natural to start with my network and then move slowly outside of that,” Uber says. His background in sales certainly helps (along with the rest of the Merrill tool kit) for building a client base, whether through cold-calls and seminars or through referrals, he says.

Most of Uber's clients have assets shy of $1 million. For those with more, he primarily uses a mix of managed accounts, hedge funds and managed futures. Of course, he says many clients are still interested in safer strategies too. “The market downturn left a lot of scars. We had to completely shift from an outward marketing perspective to an internal focus on providing comfort and support,” he says. “There's still a lot of fear.”

Uber says focusing on serving wealthy clients has forced him to always “be on.” His toughest, most demanding client, he says, happens to be one of his biggest and best, each year adding more assets to his account. “He's a successful New York business man, very organized, never misses a beat,” says Uber. After working for a week on a reporting package the client had asked for, Uber delivered and ultimately got what he needed the next day. “A simple ‘thank you,’ it was all I needed to hear, affirmation we were doing something right,” he says.

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