510 Meadowmont Village Circle
Suite 229
Chapel Hill, NC 27517
www.KehrerBielan.com

For Immediate Release:

Incentives Drive Advisor Productivity and Advisory Business in Credit Unions

KBR&C Study Identifies Most Effective Advisor Compensation Plans

CHAPEL HILL, NC SEPTEMBER 16, 2014: The structure of an Advisor's compensation plan impacts the amount of revenue the Advisor produces as well as the product mix. Financial Advisors in credit unions with compensation plans with many step-ups in the payout for increased production had much higher production than Advisors with other compensation plan structures. Advisors whose compensation plans pay out 40% of revenue at annual production of $500,000 or less also tend to produce more than Advisors who have to produce more to achieve that payout.

These are some of the findings from a new study—*Effective Financial Advisor Compensation in Credit Unions*—sponsored by CUNA Brokerage Services, Inc. (CBSI).

"We wanted to explore the best ways to compensate Advisors in credit unions," commented David Foster, Vice President of CBSI. "So we commissioned Kehrer Bielan Research & Consulting to analyze its proprietary database of compensation plans and investment services performance data. What they found indicates that the best compensation plan depends on the objectives of the program."

Tim Kehrer, senior research analyst at KBR&C who directed the survey, explained that the facets of Advisor compensation plans impacted not just the level of Advisor production, but the composition of that business as well. "Providing incentives for fee-based advisory business clearly drives more advisory business," he said. "On the other hand, providing incentives to sell more life insurance appears to be ineffective."

Peter Bielan, a principal of KBR&C and a co-author of the study, noted that this is the first study to ever examine the link between how an Advisor is paid and the performance of the Advisor, both in terms of total productivity and product mix. The study also analyzes how credit unions with different incentive models fare in recruiting and retaining Advisors and the extent to which they penetrate their opportunity in investment services.

Bielan indicated that incentives to conduct more advisory business also appear to help recruiting. "Many Advisors are looking for an environment where the firm financially supports their desire to build a recurring revenue stream," he said. "Advisors also are attracted to credit unions that calculate payout based on production over the previous 12 months, instead of the most recent month."

Tim Kehrer explained that the study is based on an analysis of the components of Advisor compensation plans in 34 credit unions, and detailed information on Advisor production and the operations of their investment sales units.

CBSI's Foster pointed out that the study provides a blueprint for credit unions with different objectives, from improving Advisor retention to maximizing the profit contribution from investment services.

For more information, contact:

Tim Kehrer, KBR&C
tim.kehrer@kehrerbielan.com
703-566-8459

Peter Bielan, KBR&C
peter.bielan@kehrerbielan.com
770-331-1280

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