Steering you straight: the ethics-driven FMO

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ONCE UPON A TIME, a financial marketing organization simply provided a broad range of products on a profitable basis to their contracted agents. Period. Then, product-driven FMOs became marketing driven, helping their insurance and financial advisors identify and develop productive market niches.

In recent years, FMOs have further evolved into business consultants, helping advisors successfully manage their complex practices. This involves helping advisors achieve four key goals:

1. More money
2. More time
3. More fun
4. More security

But exceptional FMOs aren't resting on their laurels. That's because many are now helping advisors successfully operate in an environment of consumer mistrust and regulatory scrutiny. They are becoming ethics driven, doing their part to improve the quality of sales practices in the financial services industry.

When FMOs become ethics driven, everybody wins. The FMOs attract a higher caliber advisor. Advisors avoid high-risk sales practices. And consumers get better advice and more appropriate product solutions.

So as more FMOs transition to the new ethics-driven philosophy, expect to see and hear unusual things from your favorite FMO. Case in point: Western World Annuity, an FMO based in Torrance, Calif.

In a recent conversation with the National Ethics Bureau, Western World Chairman Mark Sullivan and Jennifer Lightner, who leads their case development team, explained how their mission has broadened from sales to ethics in recent years. They readily admit that suitability has become a key issue at their firm. This led them to create "Annuity Solutions," a six-part series of easy-to-follow annuity presentations that has helped their agents avoid suitability minefields and boost sales.

Ethics-driven FMOs do a few other things that set them apart from your typical FMO:

- They have an agent support team made up of hands-on case development specialists, each with solid experience in even the most complex areas of planning.
- They often steer advisors toward offering more suitable products that do not have the potential of blowing up on the back end (e.g., annuities with long surrender periods).
- They don't try to be a wide-open financial supermarket. Instead, they align themselves with quality carriers and only offer contracts suitable for their target marketplace.
- They discourage product transfers that generate large surrender fees. If a transfer is necessary, they make sure it fits their written guidelines.
- They try to get advisors to rethink their use of high-commission products if they could have a negative impact on the client.

At the National Ethics Bureau, we salute all FMOs that are doing their part to encourage ethical sales practices. They realize that to survive and prosper, they — and their advisors — must be as aggressive about maintaining high ethical standards as they are about generating sales. Striking the right balance will separate the winners from the losers in the years ahead.

STEVEN MCCARTY IS A DIRECTOR OF THE NATIONAL ETHICS BUREAU, A CONSUMER RESOURCE FOR ETHICS-QUALIFIED INSURANCE AND FINANCIAL ADVISORS. TO QUALIFY FOR MEMBERSHIP, GO TO WWW.ETHICSCHECK.COM OR CALL (800) 282-1831.