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Sponsorship drought could hurt budgets

By Jeff Benjamin

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DETROIT - The flow of sponsorship money is nearing drought stage at a number of state-level chapters of the Financial Planning Association, representing a serious threat to budgets that typically derive as much as half their annual revenue from sponsors.

Volunteer efforts to raise revenue have led some chapters - such as Michigan's, where sponsorship funds are down by nearly 70% from the level a year ago - beyond financial services firms.

The sponsors, which historically have come from among fund companies and brokerage firms, are becoming more selective in terms of doling out money for access to adviser members at conferences and seminars.

For the various chapters, it has become a time for reflection and some aggressive regrouping to try to make up for the shortfalls.

"We've been working our butts off," said Amy Jensen Wolff, who heads up the sponsorship efforts for the Atlanta- and Denver-based FPA's Minnesota chapter, which has 750 members.

"The [sponsor] money is critical to us because if we don't have that, we'd have to increase costs to our members and cut back on public awareness and pro-bono-type work," she added. Ms. Wolff's Minneapolis practice is affiliated with Financial Network Investment Corp. of Torrance, Calif.

According to a breakdown of the Minneapolis chapter's 2003 budget, sponsorship funds represented 43% of the year's $287,361 in total revenue. Special events, including an annual conference, represented 27% of the revenue, membership fees passed down from the national chapter in Denver represented 16%, and various special-meeting fees represented 14%.

For 2004, Ms. Wolff said, sponsorship funds are already down 13% from where they were last year at this time, "and we're having to work a lot harder to get the sponsors."

Clifford Michaels, who leads the sponsorship efforts for the FPA's New York chapter, said the relationship between sponsor and chapter is evolving, and there is still hope.

"However," he added, "it means I gotta work my tail off to help this chapter."

Mr. Michaels, president of New York-based Institutional Investment Advisors Corp., said the heady days of the late 1990s, when everybody had more money to spread around, are long gone.

These days, he said, the sponsors are more careful about what they receive in return for shelling out between $5,000 and $10,000 for an annual sponsorship.

"We have maintained some sponsors, but in general, they are not spending so freely anymore," Mr. Michaels said. "Next year, we'll have more people helping me - whatever we have to do to bring in dollars."

The sponsorship crunch seems unique to state-level chapters, which are typically lower on the totem poll when the money is doled out.

At the national level, for example, the FPA carries enough weight to command annual sponsorship relationships that range between $30,000 and $125,000.

Cutting fees

Meanwhile, the National Association of Personal Financial Advisors in Arlington Heights, Ill., doesn't even have sponsorship relationships.

However, according to NAPFA chief executive Ellen Turf, the 1,100-member association is studying whether it should pursue sponsor funding.

Trolling for sponsorship funding by the weary but dedicated volunteers at the state level requires a certain amount of flexibility and an open mind.

When the sponsor money started to dry up, the FPA's 850-member New York chapter reduced its high-end sponsorship fee to $4,000 a year, from $7,000. Like most chapters, it started thinking outside the box, beyond fund companies and brokerage firms.

In Michigan, where sponsorship funds are down by 75% from those of previous years, the 750-member chapter has started signing on car dealerships, software vendors and clothing retailers to sponsor its annual conference and various educational meetings.

Ted Feight, president of the Michigan chapter, said its midyear revenue from sponsors was $20,000 below the $36,000 in sponsor funds it had at the same time last year.

"We've always had a bank account, and the last two years, we've eaten into that," said Mr. Feight, owner of Creative Financial Design in Lansing. "But we're independent businesspeople, and we see that as a challenge, so we're out looking for new types of sponsors."

In terms of the evolution of the types of sponsors now contributing to the chapter's revenue stream, he said, in addition to investment products, clients also need help buying nice cars and clothing.

It is, in many respects, part of the evolution of holistic financial planning.

"A lot of advisers now will help their clients purchase a new car, and most advisers and their clients are buying nice clothing," he said.

As software and technology companies have become more common types of sponsors in the Michigan chapter, some have helped advisers establish personal websites for their clients.

"The more things you can do for these families, the better off you are at distinguishing yourself," Mr. Feight said.

Like many of the volunteer groups charged with raising sponsor funds at the chapter level, the Michigan effort involved several meetings to see how it could better meet the needs of sponsors.

"I ask the sponsors what they need from us," Mr. Feight said. "Some of them say they are getting more value in other areas, and I don't blame them for being honest."

While sponsors at the chapter level will generally present themselves under the banner of a large organization, the funds often come from a locally based wholesaler that really wants nothing more than direct access to the members.

In the 2,000-member Massachusetts chapter, sponsorship volunteer Gayle Buff did some research and found that more than anything else, most sponsors want access to the podium at conferences and other events.

"They want as many opportunities as they can get to get up in front of the users of their products, and they liked the idea of being at more-focused events with advisers who would be specifically interested in their products," said Ms. Buff, principal of Buff Capital Management in Newton.

As the sponsors evolve to include a wider variety of businesses, some companies are finding gold in the local chapters.

Gibran Nicholas, president of Nicholas & Co. Mortgage Planning Solutions in Ann Arbor, Mich., has been a sponsor of the FPA's chapter in that state for two years and recently signed on as a sponsor of the Illinois chapter.

"The key to benefiting from a sponsorship is to be involved and not just throw money out to get your name and logo on a banner at the conference," he said. Mr. Nicholas' firm specializes in helping advisers incorporate mortgage strategies into an investment strategy.

"The best thing that can happen is if I get to speak in front of a group of 50 or 100 people at one of these events," he said. "I'm telling them how they can help their clients and help their business."

Donald Creech, chairman of the FPA's Virginia chapter, said the changing face of sponsorship is driven by a number of factors and that it will continue to evolve.

"You've got some fund companies like American Funds who don't need to spend the money on sponsorship to attract money, and at the other end, you've got companies like Putnam that don't sponsor, because they stepped in dog doo," said Mr. Creech, an adviser in Richmond with the Milwaukee-based Northwestern Mutual Financial Network.

"The challenge of sponsorship has taken a lot of effort by our administration, which has included a lot of phone calls to a lot of different people," he said. "We've talked about attracting different types of sponsors for the past year, and I think you're going to see more of that."