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N.J. company looks to trigger financial services franchising

By Martin Desmarais

WAYNE, N.J. – The founder of American Prosperity Group, Mark E. Charnet, is taking retirement and estate-planning services to the franchise industry, and despite the sector's widespread prevalence outside the franchise arena, he believes it is a perfect fit.

For one, Charnet said that the financial planning industry overall has some serious problems that a franchised concept can fix.

The biggest problem, according to Charnet, is that the attrition rate for financial professionals is so high that large companies are no longer really concerned with training new employees because as soon as they are trained they often leave and open up their own businesses.

Therefore the big brokerage conglomerates choose instead to focus on easy-to-sell products that favor their business and can deal with a revolving door of financial planners selling them, he added.

"As a result, in my opinion, a cancer has embedded itself in the industry, whereas there is no longer honor and integrity," Charnet said. "What is sorely missing from the equation is the mentoring, training and hand holding – helping them up when they fall and scrape their knees – it's all gone."

"The public is being victimized because the training of the people they are relying on is non-existent," he added.

Even Charnet, who is a certified annuity specialist and has been in the financial planning industry for over 26 years, admits that the thought of training someone, who will likely just turn around and leave, is frustrating. Charnet said that he felt he had only two options in running his own financial planning business – never train anyone or create a model that includes training but also a way to keep employees loyal to a business.

For Charnet, franchising is the answer.

Set up as a franchise concept, the American Prosperity Group trains franchisees to be financial planners and provide retirement and estate planning services (they also must get the requisite certification and licenses), teaches them how to obtain clients through a free financial workshop model and gives them access to a constant system of support for their business.

"[Franchisees] are taught how to serve and benefit the consumer as opposed to abuse them," Charnet said.

In return, franchisees pay a royalty fee, as is typical in the industry.

Not so typical for franchising, however, American Prosperity Group gives its franchisees a way out, if they so desire. For the training, sales system and support the company charges \$500,000 in royalty fees on a franchisee's first \$2.5 million in business. After that they are free to go out on their own.

"We want them to stay in the industry," he said. "But we want to earn our share and we want to train them properly."

"If they leave, they won't die. They will leave and prosper," he added.

With a pitch that is also familiar in the franchise industry, Charnet said that franchisees do not need financial experience. In fact, he insists that franchisees have no previous financial experience. "No experience in the industry is what we are

A CLOSER LOOK

American Prosperity Group founder Mark E. Charnet launched his retirement and estate planning franchise concept as a reaction to problems in the financial industry.

Charnet believes that by using the franchise model he can keep financial professionals loyal to a company and prompt them to take better care of their clients.

Quote: "[Franchisees] are taught how to serve and benefit the customer as opposed to abuse them," said Charnet.

looking for," he said. "If they have experience, they will have bad habits and already be tainted."

"I would turn them away," he added.

American Prosperity Group started franchising in 2006. The company has eight franchises. According to Charnet, the investment is under \$100,000 and franchisees can expect to be profitable in the first year and make an average of \$400,000 a year in the first five years. He believes most will hit the \$2.5 million mark in five-to-six years.

Jeff Johnson, founder and chief executive officer of the Lincoln, Neb.-based Franchise Research Institute, a research company that examines franchise brands and rates them based on a confidential survey with franchisees, dubbed FranSurvey, said that the main reason new franchise concepts fail is because of bad franchisors and poor support. This includes both initial training programs and on-going franchisee training.

According to Charnet, American Prosperity Group provides its franchisees with two weeks of training to start. On an ongoing basis, franchisees have a weekly conference with corporate officials, as well as a monthly face-to-face meeting. The company also helps its franchisees train for the continual process of licenses and exams that are required for the retirement and estate planning services industry.

American Prosperity Group is launching into new territory with franchise-based retirement and estate planning services, but Charnet believes success will follow.

"Our marketplace is literally endless," Charnet said. "Everyone is potentially a client."

His goal is to have 1,000 franchisees in 12 years and to make American Prosperity Group a household name. "I want to build a billion-dollar company," he said.

Charnet also strongly feels what American Prosperity Group is doing will have an impact on the financial planning industry as a whole.

"Our belief is our business model will be the industry standard for the next 100 years," he said.