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Arista's David Hatter is out to prove he can succeed by putting his people before his firm's sales

**MAN ON
A MISSION**

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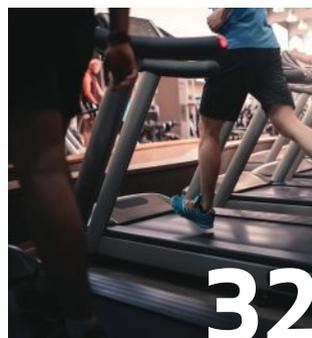
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FROM THE EDITOR



Statement of purpose

ELIZABETH GAENTINE
EDITOR-IN-CHIEF

Life is full of moments where we have the opportunity to take the easy path, to choose to put in minimal effort in exchange for a quick return. It's so tempting to embrace an excuse, be it flimsy or valid, as a reason for inaction. But, all too often we kick ourselves when those shortcuts reveal a missed opportunity later on.

EBA's cover subject, David Hatter, found himself in such a situation when he was preparing to launch his brokerage, Arista. Recently fired, Hatter was at a vulnerable moment in his life. He knew it would be a good idea to craft a mission statement for the company, but there were also many critical things that needed to be done.

While it would have been acceptable, or even practical, of him to tackle those essential tasks first, he had the disci-

pline to take the time to create a mission statement to guide the fledgling business.

Hatter recalls, "It felt at that time really corny. It felt like, why am I doing this? I need to be going out finding customers. I need to be getting this legal documentation done. Why am I sitting down writing a stupid mission? But I felt like if I didn't write it down now that somewhere along the line what we were really trying to accomplish would get lost."

It's been refined over the years, but its defining principle of financial security has remained the same: *We are creating a future in which financial security empowers all working people to discover and serve THEIR calling.*

As seen in the article, "Mission-driven," p. 14, the move made all the difference

for Hatter in times of instability at Arista. When he was struggling to get the business off the ground, he looked to the mission for inspiration. When things got off track after bringing in a new business partner, the mission directed him back to the path toward success.

And it's permeated throughout Arista's staff. As the firm's VP of Business Development Libby Whitaker says, "Not only is [Hatter] committed to helping people, but he has engrained that servant's heart into every employee in the company. And if you don't have that quality or attribute, then you don't really stay at Arista long."

Researcher Joseph Folkman shared in an article for *Forbes* the powerful, measurable impact of what he refers to as a vision statement on a company's employees: Those who find their organization's mission to be meaningful experience 68% engagement in their work, while those who would call it average or poor are at 40% and 16% engagement, respectively.

A strong mission statement, ingrained into the core of a company as Hatter's is, is not simply a bit of fluff to fill a firm's 'about us' page on their website. It's consequential, actionable and, as it's done for Arista, can mean the difference between floundering or flourishing as a company.

David Hatter
President



Travis Riker
Principal



Libby Whitaker
*Vice President of
Business Development*





Mission-driven

Adviser David Hatter turned a desire to improve peoples' financial security into a successful business that puts his employees first so that they can take care of clients.

Not long after David Hatter was fired for the second time, he sat in his home office with his pug Peanut on his lap, intent on creating a mission statement for a new kind of benefit brokerage he wanted to start.

It was 2005, and the benefit expert's passion for teaching people how to save had become a distraction from his job at CAPTRUST, a wealth management and retirement plan consulting firm. Through his church, Hatter had been spending upward of 40 hours a week working for Crown Financial Ministries, a program that helps people develop practical money management skills.

Doing so much volunteer work clashed with his duties at CAPTRUST as a vice president in charge of selling retirement plans, and his sales were no longer up to par.

"He was let go for lack of performance," says CAPTRUST's CEO Fielding Miller, who says he still has "a lot of respect" for Hatter.

"You could say that I was distracted from

what they wanted me to be doing," Hatter says, referring to his work with people in need of retirement and financial planning. "I didn't want what I was doing to be a distraction anymore. I wanted it to be the purpose."

Hatter knew that if he didn't put his purpose — helping people achieve financial security — at the forefront of his new business plan, it would get pushed aside as the business sought ways to be more profitable.

So he wrote it down and taped it to the cabinet directly in front of him:

A lack of financial resources is one of life's greatest obstacles. Every person has dreams, desires and goals. For some people, dreams may not come true and goals may always seem out of reach. Our mission is to remove this difficult obstacle through proper financial planning and discipline, so that our clients may freely pursue their life's passions and achieve their goals.

"Every phone call I was on, every email I sent, I was looking at the mission," he says.

By Elizabeth Galentine | Photography By Ben Rollins



‘What we felt was missing was how do we put people first and treat financial security as the No. 1 priority?’

He made the mission the center of everything that he did, but sticking to his beliefs in the decade-plus that’s followed has taken Hatter down a path he didn’t see coming.

Initially, he thought helping people become more financially secure would naturally lead to putting the client’s needs first. And, indeed, his client base for his new company, Arista, began taking off once he started introducing employers to benefit offerings that made it effortless for their employees to save.

But he had a revelation: The business’ mission of giving clients financial freedom could die when he did. So Hatter decided to reduce his role as the company’s central figure and ensure his mission would live on by making Arista’s employees his top priority. If he focused on them, he realized, they would have both the tools and the motivation needed to do the very best job for Arista’s clients.

VISION QUEST

The result of those efforts is a business that has grown over 300% during the past four years, with more than \$200 million in assets under management with nearly \$1 million in retirement and wealth management revenue, with another \$2.4 million in benefits revenue.

Strong numbers, but the statistic Hatter cares about the most is the more than 100,000 lives that Arista serves.

“Most benefit brokers measure themselves on revenue and commissions, but around here our scorecards are people,” he says. “How we measure ourselves is the number of people we have the ability to influence.”

Hatter’s ability to influence lives began

in the mid- to late-’90s, when he gained experience on the retirement side of benefits as a sales representative at Great-West Life Assurance Company, and then as a broker with benefit firm Schultz Rowson in the Atlanta area.

By 1999, at age 28, he left Shultz Rowson, taking his book of business to another benefit brokerage, Hobbs Group, which had been a client of his and did not have a retirement plan practice at the time.

Hatter became a managing director at Hobbs, but by the spring of 2001 he started to realize he’d made a mistake. He was no longer in charge of his own book of business, and the company asked him to terminate half of his employees. A month or two later, Hatter was fired as well. Hobbs Group was sold, and former employees could not be reached for comment.

The soon-to-be father of three — he and his wife Melissa had 18-month-old Jacob, infant Mackenzie and a third child (Carly) on the way — took a stable job at SunTrust in the summer of 2001 as a vice president selling new retirement plan business for a couple of years before joining CAPTRUST.

In the spring of 2005, in the wake of his CAPTRUST dismissal, Hatter was tempted to take another steady job to support his family when a major insurance company gave him a lucrative offer. It was Melissa, a pharmacist and medical technology consultant, who encouraged him to start Arista. “It’s what you’re supposed to do,” she told him of becoming an entrepreneur and living out his mission to help people find financial security.

The family went all-in. Hatter legally incorporated the company in August 2005, living at the time in a 6,000 square-foot home, with two cars and a boat. Six months later, to fund the fledgling business, he and Melissa moved with their three children to an unfinished room above her parents’ garage, sharing one vehicle between them.

Initially thinking he could achieve his mission best by focusing on personal financial planning, it didn’t take long — only a few months — for Hatter to realize he could have a much greater impact on peoples’ lives through the workplace. “I ran across a statistic that got my attention, and that was that 80% of all Americans do all of their financial planning

at work ... I didn’t want to just help the 20% of people who were disciplined enough to work with a financial adviser,” he says.

By 2007, Arista had enough money in the bank, with 15-20 clients, for Hatter to bring in his first fulltime employee, his brother-in-law Travis Riker, who is now partner in the firm. Riker’s background in employee benefits as an insurance carrier sales rep complimented Hatter’s retirement expertise.

“I think what really connected us was that we both shared the same vision. That we really wanted to put people first,” Riker says, “and what we really felt was missing was how do we put people first and treat financial security as the No. 1 priority?”

With Riker in place and the mission intact, “things started to really go,” Hatter says. “We had stumbled onto a process ... that was generating really good outcomes and it started to grow really fast.”

That process was attracting K-12 school system business through an innovative procedure that moved the educators from a 10-15 vendor, sales-focused retirement plan environment with heavy fees to single vendor arrangements that reduce the cost by as much as 50%. “There’s a handful of people who have [moved clients to a single vendor] three or four times, but our firm has done it ... almost 40 times now,” Hatter says.

Offering a single vendor plan dramatically boosted participation by removing the confusion and cost surrounding multiple vendors and instead emphasizing the value of saving and plan education, he says.

“With most schools, the average participation in a multi-vendor environment is 18% ... but in our plans, we move them to 80-90% participation through our process,” Hatter says, adding that Arista makes subtle plan changes utilizing auto-enrollment, auto-increases and target-date funds, among other techniques.

“We discovered quickly in the retirement plan business and the benefits business that the majority of the employees will take the path of least resistance,” says Hatter. “You can do all the educating that you want, hold all the workshops, provide all the websites and tools and all these things, but an overwhelming majority of employees, they don’t want to become experts on financial planning. So we’ve become



really focused on designing employee benefit and retirement plans to make it easy for people to fall into the right decisions for them to become financially secure, without them even knowing what was happening.”

Hatter is the “visionary,” Riker says, behind Arista’s three business units: employee benefits, retirement planning and wealth management. To be as efficient as possible, Arista concentrates its efforts on three specific industries where Hatter initially had connections. In addition to K-12 schools, they also signed on design firms (architects, engineers and construction) and private clubs and communities, although a quarter of the company’s clients are across a broad range of other business types as well.

“If we can get really intimate knowledge about the challenges those particular clients are facing, it’s very scalable,” says Riker, who, in combination with Hatter, often speaks as an expert on healthcare reform and benefits at around 15 Arista clients’ industry conferences and events a year.

Arista gained a “significant amount of business” as a recognized expert on industry-

‘Everything I was worried about started to melt away when I got refocused on the mission.’

specific plan administration under the Affordable Care Act, Hatter says. The company is the ACA IRS reporting administrator for around 80 employers, including one-third of the state of Georgia’s school districts, he says.

“The ACA created an environment where for the first time everybody was at a disadvantage,” Riker adds. “No one knew what to expect. We really embraced it.”

But, despite the success, Arista’s growth scaled back from 2010 to 2012, as the company struggled to adjust to the acquisition of a new partner’s book of business, along with integrating 4-5 of his employees. Lamar Wright had been the co-owner of a prominent, decades-old benefit firm in Atlanta, The Benefit Company, before joining Arista as a 50/50 partner with Hatter in 2010.

He brought in about \$600,000 in existing revenue, but Wright’s book was shrinking. It

had been closer to \$1.2 million when he and Hatter first talked of partnering a couple of years earlier, and on top of the dwindling book, his staff had trouble meshing with a younger culture at Arista.

In the benefits business since 1970, Wright agrees “business metrics were in a downward trend” at the time he joined Hatter, which happened in the wake of the Great Recession. “We liked each other, that was not a rough spot,” Wright says.

“Putting the staffs together, it was like second marriages when both partners have kids,” Wright, who eventually retired in January 2015, says. “That can be a little bumpy.”

PERPETUATION PLAN

Consumed by trying to make the acquisition work, Hatter lost track of his driving mission.

He was dreading making the drive into Arista's Alpharetta, Ga., office each day. Then, a friend and fellow adviser died unexpectedly and it changed his perspective.

Steve Albers was a healthy, active man in his early 60s, running a very successful brokerage, Albers & Company, at the time of his death in a biking accident.

At age 41, Hatter decided it was not too soon to get his own perpetuation plan in order.

In fact, he realized it was a necessity if he wanted Arista's founding mission to protect peoples' financial security to live on after him. "All the stuff I was worried about, frustrated about, started to melt away when I got refocused on exactly what the mission was," he says.

A member of United Benefit Advisors, Hatter often heard the topic of successful continuation of an independently owned brokerage discussed throughout meetings and events held by the nationwide organization of autonomous firms. With three options on the table: die and leave the company to heirs; sell to an outside buyer; or raise up leaders within the company, Hatter knew he needed to follow option three.

This meant learning how to extract himself from key business operations to dramatically expand his mission's reach.

Starting to make himself expendable initiated the firms' greatest growth period. In 2012, the company had \$1 million in revenue; by the end of 2016 Arista was at \$3 million in revenue. The benefits business quadrupled from about \$600,000 to \$2.4 million. Overall, the company went from 20 to 97 clients.

But it has not been a quick, easy process. The early days of extracting himself from standard business practices, such as financial and operational elements and office management duties, were relatively straight forward. That led to the harder elements: sales, business development, marketing, culture, hiring, recruiting, firing and performance reviews, says Hatter.

"Those things become so much more complicated," he says. "Because how they're done matters; it sends signals to everybody inside and outside the company about what the company is really about."

About a year ago, the company took its "biggest leap" by putting together an internal leadership team that meets weekly. Hatter picked up advice on how to make that work

from books and lectures, and he personally participated in a program called Vistage, which operates like a CEO roundtable.

He also got involved with the Entrepreneurial Operating System, EOS, a training and support program for company leader-

ship teams which, he says, "allows business owners to extract themselves from the key elements of the business so that the business can run efficiently and effectively without the constant intervention."

EOS promotes the use of scorecards that

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use objective numbers to evaluate what's going on within a business. Hatter uses the scorecards to gauge categories such as the number of lives the company is impacting, year-to-date business growth, forward-looking profitability, and engagement factors like the number of people coming to Arista's website or clicking on emailed items.

Many people will ask him how he finds talent he believes in enough to take over his duties. The answer, he says, is to work on the business enough to make it a place where top professionals want to come.

Hatter is a big part of the reason why people want to join Arista, partner Riker says. "When you say, 'putting people first,' there's a difference when you feel like someone's selling something to you. You feel like they don't really mean it," he says. "There's just a genuine aspect to his personality. He is who he is."

Also, Hatter says, strong sales go hand and hand with having the funds to recruit the right people. "You have to grow the business. You have to have an influx of new business within the company in order to create the margin — even if it's a temporary margin — to be able to afford that talent," he says.

PUTTING HIS PEOPLE FIRST

Meanwhile, in the process of making himself dispensable, Hatter began to challenge the traditional notion and his own belief that clients always come first. As removing himself from daily tasks freed up more of his time to allow him to work on his business, it became clearer to him that putting his employees first would naturally lead to them taking great care of clients.

"The biggest thing has been being able to free me up to focus on getting the right people into the right seats within our company," he says. "It's also freed me up to provide mentorship to people that I didn't have time to provide before; to invest in other people inside the company. And that's important because the cobbler's kids need shoes, too."

Hatter dedicated his time to making the 19 people who run his business the top priority. "Putting them first allowed me to focus on building a culture within the company that attracts and retains the best people," he says.

'Not only is he committed to helping people, but he has engrained that servant's heart into every employee.'

"Because we can't grow and become a great company if we don't have great people."

Once his mentality changed, Hatter's focus changed as well. "You're looking inward instead of outward for how you measure your success," he says. Specifically, he started paying attention to different things. For example, becoming one of *Atlanta Business Chronicle's* Best Places to Work — which Arista achieved in 2014 — became a priority over his previous goal of being a fastest-growing firm.

Internal improvement efforts the company implemented included creating recognition awards, such as the Anchorman-inspired "Kind of a Big Deal" award, and training top employees on how to be a great boss to create a better working environment for everyone.

"The boss is the No. 1 reason employees leave jobs. We have really high standards for what we expect people to do as supervisors or bosses around the office. We hold them to a very high standard. We provide them with a lot of tools and resources in terms of how to do their job because we know that in order for more great people to come here we're going to have to have a lot of great bosses."

Hatter also hired a full-time HR person, Vita Koval, whose "primary responsibility is to make this a great place to work," he says.

Hatter estimates the company now spends well over \$100,000 a year investing in training and staff development such as client service, technical and sales training.

Another thing he's done is implement quarterly reviews, rather than follow the traditional annual timeframe. "What guides that whole conversation is whether or not that person is a fit with the organization culturally via the core values of the company and

also whether or not they're in the right type of job," Hatter says. "Whether they really get it, they're a natural at it and that they want to do it. They get energized from the work. And that they have the capacity to do it, the intellectual capacity, the physical capacity, the time capacity to do the job."

Adds Libby Whitaker, Arista's vice president of business development, "They don't hire people based on technical skills. That's part of it, you have to be able to do your job, but Arista hires employees based on what their values are and what their core beliefs are," she says. "If your core beliefs and values match the culture of Arista, then you've made it through the first part of the process of hiring. ... Technical skills come second."

For six years, Whitaker was a client herself as the CFO of a school system, until this January when she became an Arista employee. "That's a testimony to Arista that I could see the authenticity in their programs and services and I actually felt the value of Arista as a client first — and I felt so much of it that I decided I wanted to join the team," Whitaker says.

Reflecting on Hatter's strengths, Whitaker says, "not only is he committed to helping people, but he has engrained that servant's heart into every employee in the company. And if you don't have that quality or attribute, then you don't really stay at Arista long. You have to have that energy."

Back when Hatter founded Arista and moved his family to his in-laws' garage, his three children slept on a mattress in the closet. Those kids are now in high school, but will any of them join the company as time goes on? Hatter hopes that decision won't be up to him.

"I'm committed to building the business in such a way that it's sustainable without me," says Hatter. "And if 10 years from now, one of those kids wants to be a part of the business, they'll probably be talking to somebody other than me about whether there's an opportunity for them there."

One thing that will be there for certain is Arista's mission. It's come down from the cabinet and been streamlined over the years, but the driving force remains the same:

We are creating a future in which financial security empowers all working people to discover and serve THEIR calling.