

power player

(People in the know who you ought to know)

Richard Brown, CEO,
JNBA Financial Advisors

Successful Succession

This investment firm CEO wasn't sure he wanted to run the family business but his return, and rate of return, has been great. | BY Joe Delmont

It's funny how things work out. Richard Brown never planned to go into the investment business, but after joining his family's successful firm 10 years ago, he's now running the company. He was also recently recognized as one of the top independent investment advisors in the country.

Brown, 46, is CEO and majority owner of JNBA Financial Advisors, the Bloomington-based company his mother founded in 1978. The company manages more than \$350 million in assets for individuals, couples and small business executives and consistently posts a 95 percent client retention rate.

In discussing his career, Brown says one of his most memorable work experiences—totally divorced from the investment business—occurred when he was working for Irwin Jacobs at the Jacobs Trading Company in Minneapolis.

One day, Jacobs pulled him into a huge storage area loaded with overstock merchandise and damaged goods. On one side of the room merchandise was marked with green tags; on the other, red tags.

Green tags meant the items were good to go; red meant the products were defective and parts had to be cannibalized to make a few good, saleable items.

“That day, in that room” says Brown, “I realized the guy was a genius. He figured out how to take returns and repackage them and provide a quality product for a great price and make a great profit. He saw a simple way to do this.”

The idea might have been simple, but the process of making it all work was complicated, notes Brown. “I'm a firm believer,” he says, “that to be successful you have to develop a plan and then have the patience to let the plan evolve. A lot of people don't have that patience.”

POWERPLAYER

Richard S. Brown

Title: Chief Executive Officer, JNBA Financial Advisors

Age: 46

Education: University of Minnesota, Duluth & Arizona State University

Family: Wife, Kim; son, Matthew, 20, daughter, Jennifer, 19

Brown didn't hesitate to apply Jacobs' lessons at JNBA when he unexpectedly joined the firm following some family health problems. The first thing he did was to develop a succession plan so his mother could leave the firm to care for his ill father. His sister, who had been with the firm for 18 years, also had to leave at that time because of illness.

Suddenly, major changes were underway at the 20-year-old company. Judith Brown had built the firm based upon her personal relationships with each client, a skill that Richard didn't have. "My strength was business development; I felt I could hire smart people to do those other things." Behind the scenes, however, Brown gets involved in any investment strategy. "That's my favorite part of the business," he says.

Deciding to change JNBA wasn't an easy decision or an entirely pleasant transition, especially considering the stock market was going through one of the worst bear markets in years. Within the first 30 days, he began reorganizing the company, and setting up investment teams to deal with clients. Each team had a senior advisor, a planner and an administrative assistant.

Within six months he brought in a former associate, Troy Mertens, as CFO and COO. At the same time, he added Bob Potter, host and founder of the radio investment advisory program, *Sound Money*, to begin marketing efforts.

Brown didn't simply shuffle assignments. He prepared for growth, spending close to \$500,000 on additional staff, office space, technology and research capabilities.

Ultimately, the moves helped JNBA ramp up for the time the market turned around. The moves worked. JNBA's assets under management climbed from \$90 million in 1997 to \$118 million 10 years later to \$258 million in 2003.

Moving forward, Brown is prepared to compete with large banks and brokerage houses that depend upon transaction commissions. An investment advisory service driven by fees based upon client assets, such as JNBA, results in better client service, Brown says, than one where the broker has a vested interest in selling certain products.

"It's a winning combination, and I think our competition wonders how they will go head-to-head with us." **MB**

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JNBA FINANCIAL ADVISORS

Joe Delmont is an award-winning business writer and editor based in St. Paul.