

Genistar's financial plan is based on the business of introduction

Genistar is a company with a game plan that offers 'freedom from debt', but the big rewards come from recruiting others



Tony Levene
The Guardian, Friday 19 November 2010

[A larger](#) | [smaller](#)



Genistar says it doesn't offer a get-rich-quick scheme and it seems 'big earnings' come from recruiting others not selling policies.

Photograph: Finbarr O'Reilly/Reuters

The email looked enticing. "Could I say no to £1,000-£2,000 per month from six to eight hours of part-time work per week?". It would be almost rude not to reply. All I had to do was pop along to a seminar at the Salvation Army Hall off Oxford Circus in central London.

This was my welcome to the Genistar family, and my salvation would come from selling financial products.

Genistar is an unusual financial sales organisation. Its bosses, Jeff Lestz and Bob Safford Jr, hail from the US, where Lestz has preached biblical economics, while Safford Jr spent 28 years at Primerica, a US insurance company, before helping launch it in the UK with Lestz as CitiSolutions.

In the hall there are about 40 to 50 other hopefuls lured by the promise of bumper earnings. At the front, Genistar agents testify how they have turned their lives around to "debt freedom", with some saying they now earn thousands of pounds extra each month.

"I had a PhD – that's poor, hungry and desperate," says one. "Now I have an extra income." Another says: "Our business is to teach people how to beat the banks."

So what is Genistar really about? On its website, it says: "First, we believe in educating middle-income families about their finances ... secondly, we are expanding." It wants to recruit people, and says it is interested in "interviewing people for either part-time positions or full-time positions".

The company has already hired more than 700, and plans to take on up to 10,000 agents and introducers.

It strikes me that I'm one of the few white people in the hall. Maybe many of the people here are from low-income groups finding it tough to get work when unemployment is so high.

After listening to the initial material, I start to understand what Genistar does. It makes its money as a business introducer, largely to Friends Provident and F&C [Investments](#).

The company is regulated by the Financial Services Authority (FSA), but the agents are not advisers in the traditional sense. They are, for regulatory purposes, "appointed representatives" who need little professional training before earning commission by introducing business. But the potential to earn big money comes if agents themselves sign up lots of other agents, and subsequently take a cut of any commission their recruits earn from sales.

Agents earn £200 to £1,000 selling a Friends Provident life policy, up to £100 for an F&C Isa, up to £500 for a debt management plan, and £100-£500 for a remortgage. Genistar is tied to Friends Provident and F&C, offering no other choices for life and investments. It does not advise on pensions.

Under FSA rules, appointed reps can advise upon and sell protection insurance (such as life or critical illness policies) and property cover. They can advise on, but not sell, investments or mortgages. FSA approval is not needed for debt management plans.

After the seminar, I spoke to the agent who had emailed me. I don't want to reveal his name, as he strikes me as a relative newcomer to Genistar who is desperately trying to make a few extra pounds. He tells me: "Getting your licence [to sell] takes three to five days in training and a test that's dead easy. It's multiple choice and you don't have to know how to use a computer. It's all in the plan."

I put this to Jeff Lestz. Is it really that easy to become an appointed rep and sell financial products? He said: "Getting your licence requires that a new associate is trained by an experienced representative whereby they must observe at least two live client interviews. In addition to this they must read a 50-page manual and then take a 50-question multiple choice exam.

"The average time to get licensed is anywhere from a few weeks to a few months depending upon how motivated an associate is to get started."

Genistar adds that the test has a 70% pass rate and can be retaken up to five times. But new recruits have to pay £140 "to offset training, materials, money-laundering checks, background checks, address verifications, FSA authorisation, etc". The background checks include "terrorism screening".

The exams are for agents who will actually sell financial products. But Genistar also plans to take on thousands of "IARs" (introducer appointed reps) who won't even have to take an exam. The idea is that they don't have to be qualified as they won't specifically sell a product but will earn an income from introducing leads.

For the full-time agents, the cornerstone of Genistar's training is learning the "financial game plan". Through this, agents are able to show others how to achieve "debt freedom" – and also point the way towards products that will earn them a commission. This, in turn, may generate income for other agents at Genistar who brought them into the firm.

The game plan, which Genistar says has been painstakingly developed, has pages on monthly income and outgoings, assets and liabilities, retirement, goals and dreams, and "debt freedom" – a continual Genistar mantra.

There are useful tips: avoid "improper spending habits" and "debt repayment is more a function of time taken to pay than of the interest rate charged". But the game plan has a second function – increasing the customer base. Potential clients are told the plan is free, provided they give names and numbers of 10 others who might be interested in becoming a Genistar agent.

Agents are told to pose what Genistar calls the "magic question" – "Could you use an extra £500 to £1,000 a month, if you could earn it in just six to eight hours per week, part-time?" Genistar advises that "it is important to ask this in a very low-key manner and don't come on strong. Don't sell."

When the client says "Sure, what is it?" the script tells the agent to reply: "Trust me, you need to see it," before inviting her or him to a seminar.

The company emphasises "this is not a get-rich-quick scheme. Some 90% make nothing in their first month. It's the third month when it starts to come in." But the big earnings come from recruiting others to Genistar. It has a five-level scheme from appointed representative, moving up to executive vice-president. The higher up the scale, the greater the potential earnings. For instance, appointed representatives selling a product get 25% of the commission, with 75% shared by those higher up who recruited them. Genistar literature shows a "monthly potential income" of £15,000 for an executive vice-president.

Genistar's materials say: "Turn your dreams into reality" by achieving "debt freedom more quickly using your Genistar income". In other words, you use the money earned from Genistar to pay down your mortgage rapidly, then invest it to enjoy big returns, claiming you can make £2m. It gives the example of someone who earns £2,000 a month from Genistar and uses it to pay off a £150,000 mortgage five years early. This would save £128,566 in interest, assuming the interest rate was 6.5%. Genistar says investing this over 25 years at 8% would give £1,774,714. Adding this to the interest saved produces a total increase of £1,903,280. But how you find an investment that will earn you 8% a year when interest rates are at 0.5% is not specified.

Genistar joint CEO Jeff Lestz says: "This is not a multilevel scheme – you don't end up with a garage full of cleaning or slimming products. And once you achieve a level, you don't have to continue to hit targets. There is no pressure to sell – that leads to mis-selling. We serve a market that IFAs find too small and which the banks see as easy-money territory. We're about financial education and showing people how not to rely on the banks. This business model has been successful in the United States for the past 33 years."

He believes Genistar's sales force could become a new-style "man from the Pru". But his track record has not always been successful in the UK. Lestz and Safford were behind the \$70m (£44m) launch in 2003 of CitiSolutions, which bore a remarkable similarity to Genistar but lasted just a few years. A Daily Telegraph article on the launch in 2003 told readers how CitiSolutions worked. "Self-employed agents are encouraged to recruit their own teams – often friends and families – by bringing them to an evening meeting."

It asked for the same £140 sign-up fee as Genistar, and told agents they could then sell term insurance, the simplest form of life insurance, and critical illness policies. "The agent takes a cut of any commission earned by his or her team members."

The business model stirred controversy and in 2005 Money Marketing, an industry newspaper, revealed that CitiSolutions had been forced to stop 2,000 members of its salesforce doing business after failing to get sufficient training and register in time for FSA regulation of general insurance. Then, in 2007, it shut down entirely.

Lestz says CitiSolutions failed because it tried to impose too much of a US model on a British landscape. Genistar is, he says, "an open book. We have got nothing to hide. If you can find

11/10/11

Genistar's financial plan is based on the business of introduction | Money | The Guardian

anything wrong with what we're doing, we'll change it."

© 2011 Guardian News and Media Limited or its affiliated companies. All rights reserved.