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A portrait of a woman with short, light-colored hair, smiling. She is wearing a dark blue blazer, a gold necklace with circular links, and gold earrings. The background is a grid of dark squares.

GETTING A GAME PLAN

COMMONWEALTH'S **JONI YOUNGWIRTH**
ON HOW TO WRITE A PRACTICAL PLAN
TO PROSPER IN EVERY CLIMATE

PLUS
TIBERGIEN: BE MORE
AGGRESSIVE IN PROBLEM SOLVING

HERBERS: GAIN GREATER
CONTROL OF YOUR PRACTICE

MELLAN: LEARN HOW TO
TAKE CARE OF YOURSELF, TOO

Joni Youngwirth of Commonwealth Financial describes how a simple, four-page plan can keep you in the game regardless of the economic and financial weather

Got Game?

BY JONI YOUNGWIRTH

JOHN AUGUSTINE OF AUGUSTINE FINANCIAL IN BROOKFIELD, Wisconsin, has been in the industry for 10 years. He is deeply passionate about helping his clients grow, enjoy, and, as they see fit, share their wealth. Augustine loves to educate. His dream was—and is—to offer a wide menu of educational sessions to his clients and his community. A year ago, John relocated his office, moving into a space that has a “great room”—one large enough to seat 20 to 30 people easily and an ideal spot for holding client events.

His new office has served him especially well during this period of market turbulence and uncertainty. Last October, for example, Augustine held six “fireside chats,” which included market updates, in his great room. All attendees came through existing clients who had invited friends to the events. As a direct result of these events, Augustine signed up nine new clients. Five of these new clients each had more than \$1 million in assets to manage; the other four each brought in up to \$750,000 in AUM.

Augustine’s success is not a matter of luck. He knows precisely what he is absolutely passionate about. And he has built that passion into his game plan. When it came time for a physical change of office, his passion (and his plan) served him well. He selected an office that would: 1) give him the space he needed to turn his dream of educating the community about financial matters into reality; and 2) aid him in retaining business as he worked to secure new assets to manage.

Isn't it nice to know that during a time when the Dow is going up and down 300 points a day, there are success stories among hard-working advisors? Moreover, we might as well be prepared for an economic shift that could be with us for a long time. For small businesses like financial advisory practices, the impact of the economic downturn is keenly felt. Current economic conditions require advisors/business owners to plan like John and to rise to the challenge of leadership.

One of the most important business management habits at any time is the creation of a plan. But the phrase "business plan" may conjure up visions of a big, fat document that takes forever to write. Say the words "game plan," however, and a document right-sized and more appropriate for small business comes to mind. In fact, an effective plan can be drawn up in one to four pages.

After months of unrest and volatility, creating a game plan may be just the fresh start you need to move forward. In some respects, advisors are already brilliant at this. After all, don't you create financial plans and portfolios for clients so they can weather the ups and downs of the market?

Here's how to write a four-page game plan that will serve you well no matter how well—or poorly—the markets and the economy perform. More important, it can help you form an annual business planning habit. Whether you are a veteran planner or a novice, there will be a helpful nugget for you.

GETTING STARTED

Begin with a little preliminary work.

1. Conduct an assessment of your practice.

a. A SWOT assessment guides you in brainstorming about internal Strengths, internal Weaknesses, external Opportunities, and external Threats.

b. A Practice Assessment can be extremely useful. One assessment tool asks 50 questions covering leadership, staffing, operational efficiency, marketing, revenue generation, and risk management. Simply completing this exercise promotes awareness.

2. **Reflect on personal vision.** Ensure that your business aligns with your personal vision and values. As Stephen Covey, author of *The Seven Habits of Highly Effective People*, has taught us, the big container is your personal vision for your life. If the business vision doesn't naturally fit inside, an opportunity for success and happiness is missed.

3. **Be aware of your assumptions** about the global economy, national and local politics, taxes, business partners, and personal issues (e.g., health). Thinking through assumptions helps to ground plans.

Once this groundwork is laid, you can start writing the plan.

THE PROCESS: PAGE ONE

The first page of your plan contains your business vision and

Marketing in a Downturn

IF YOU ARE retaining 100% of your clients these days, you have a compelling story to tell. Consider that *The Wall Street Journal* reported on September 30, 2008 that "Fully 90% of clients of brand firms plan to take money away from their advisor and 70% plan to leave the advisor altogether. That compares with a mere 29% for the boutique, local advisory firms."

Even if your client losses are minimal, that doesn't mean you shouldn't have more clients. Since current clients are your biggest asset when it comes to getting new clients, is now the time to ask for referrals? For example, you might say something like this to clients:

"I'm proud to have kept all my clients during these uncertain times, especially because I've heard that many clients are looking for new advisors. Many clients have asked if I'm taking new clients, so I'm holding a small, informal event on January 15 to update a select group on market conditions. This is a specific opportunity for clients to introduce me to others who might be helped by knowing me. How many seats would you like me to reserve for you?"

Think about the events you sponsor. Can you replace some expensive items and events with informal, less expensive ones? Instead of spending \$100/household on gift baskets, one advisor piggybacked on an event sponsored by his village. He rented a downtown booth in celebration of Santa's arrival aboard a fire engine. He sent clients a customized, cost-effective formal invitation made available via his broker/dealer and served free coffee, hot chocolate, and donuts. Many clients brought their

grandchildren, and the free bag of candy distributed to "children of all ages" was a big, inexpensive hit.

Because there's no bigger current event than the market turbulence, your clients are no doubt talking about it to others. Why not provide them with an e-mail to forward to friends as a way of talking about you?

DON'T WASTE MARKETING DOLLARS

If you put time and money into getting prospects, make sure those who are a fit for your firm become clients. It's critical that you have the skills to establish iron-clad relationships with these potential clients so you can genuinely understand their needs. This doesn't cost money, but it does require advisors to consistently be at the top of their interpersonal game. Michael Duncan of DFG Advisors in Ridgewood, New Jersey, doesn't necessarily think of himself as a great marketer. That's why he feels it is important that he convert into clients nearly all qualified prospects who walk through his office door. He never sells investment management, however. "If you think you can add value through asset management, the last quarter has certainly taught us humility," notes Duncan.

For Duncan, focusing on financial planning helps ensure that it's all about the client. The best way to support his clients has been to create a culture where planning is always used to tackle a client's current or future need. Given the 40 ultra-wealthy clients of the firm, intricate estate planning expertise is as common as it is critical for him.

mission, statements about the strategy for evolving the firm over the next three to five years, and a handful of goals.

Business vision. Business vision builds on personal vision—it helps you live out your personal vision. A sample vision would be “To create customers for life among clients who value our advice and with whom we have an integral relationship.”

Another grounding statement is the mission statement, which answers questions such as:

- What does your firm do?
- For whom do you do it?
- How is work accomplished?
- What deliverables are provided?
- How are you rewarded?

Strategy. Strategy statements provide the general direction to move your organization toward where your business is heading. Sir Winston Churchill said, “It is always wise to look ahead, but difficult to look further than you can see.” A three- to five-year time frame works for most advisors. Bulleting strategy statement keeps you focused. For example:

- Transition to nearly all fees
- Focus on super-affluent clients
- Decrease number of clients
- Find a junior successor
- Brand the company in the community
- Build a mature ensemble

Goals. As contrasted with strategy, goals need to be specific and measurable. Five to seven goals a year are sufficient if they address what is most critical to the firm. One approach for establishing goals is a three-stage format:

1. Draw up a laundry list of goals with an emphasis on quantity. This helps you to think creatively about potential goals. Put the list aside for a couple of days.
2. From the list, select five to seven items that are absolutely critical for your firm for the next 12 months.
3. Reword each item to make it SMART (Specific, Measurable, Attainable, Realistic, Time-bounded). Break down each goal into the tasks necessary to complete that goal.

THE PROCESS: PAGE TWO

On the second page, include the following:

Revenue. Estimate next year’s revenue by anticipating recurring and new revenue from existing clients, as well as new revenue to be brought in from new clients. Alternatively, you can estimate future growth based on past annual growth, making adjustments as deemed appropriate. Many advisors find it useful to project a range for growth, given the variables that impact the top line in any given year. A revenue range also helps bridge the gap between those who prefer to set minimum goals that are likely to be achieved and those who prefer BHAGs (Big, Hairy, Audacious Goals) that may challenge an individual but that might not be achieved.

Expenses. Advisors are well-known as cobbler’s children when it comes to creating a budget for their practices. Moss Adams provides a template for creating a budget. The annual Moss Adams financial studies not only present budget categories, they also offer benchmarks (see *Web Extras for the January 2009 issue at InvestmentAdvisor.com*). There is value in applying this approach

MAKE A MARKETING PLAN

A SAMPLING OF ITEMS TO INCLUDE IN YOUR MARKETING PLAN

GOALS

- Goal 1 To make it easy for four select advisors to market proactively.
- Goal 2 To get 20 new clients with average account balance of 100k/year.
- Goal 3 To increase AUM to \$5M recurring revenue.

CAMPAIGNS

- Audience 1** Residents of XYZ state/prospect list
- Strategy 1 Monthly Drips
 - Strategy 2 Semi Annual Seminar

- Audience 2** Existing Clients
- Strategy 1 1 Client appreciation event
 - Strategy 2 4 newsletters/year
 - Strategy 3 4 informal events (to bring a friend to)/year
 - Strategy 4 4-6 cards/year

- Audience 3** Bank Clients
- Strategy 1 Separate invitation to bank specific seminar 2x/year
 - Strategy 2 Reignite the bank referral program for consistent monthly results
 - Strategy 3 Retirement review post card/mailling

TOTAL INVESTMENT

- Total Time: X hours
- Total Cost: \$X

POSITIONING STATEMENT

XYZ Bank advisors are totally independent and do not sell any proprietary products, while at the same time being affiliated with a community based financial institution thriving for over the past century.

BRAND ENHANCEMENTS

	Deadline	Owner	Est. Hours	Est. Cost
Brand Enhancement 1	Date	Name	0	\$0
Brand Enhancement 2	Date	Name	0	\$0
Brand Enhancement 3	Date	Name	0	\$0
			0	\$0

IMPLEMENTATION RESPONSIBILITIES

- *Staffer name* will review the plan monthly to verify that each tactic has been implemented
- *Staffer name* will track the marketing plan’s results

rather than in reinventing the budget wheel.

Of course, anytime is the right time to enhance and upgrade business prowess to financially manage your business. Consider following these four Cs, some coming directly from Mark Tibergien, formerly of Moss Adams and now CEO of Pershing Advisor Solutions.

1. Create and track profitability measures (e.g., gross profit margin, operating profit margin, productivity).
2. Convert from “creative” accounting to GAAP (generally accepted accounting principles).
3. Common size data so that each revenue source and budget item is represented as a percent of total revenue for easier long-term comparison.
4. Construct regular times monthly to review financials and apply them to decisions about expenditures.

THE PROCESS: PAGE THREE

Advisors tend to turn marketing on and off like a water faucet.

Now Is a Good Time to . . .

THESE ARE DIFFICULT times for clients and advisors alike, but that doesn't mean you shouldn't be taking some specific practice management actions in response.

Your Staff. In these times, some people expect the worst, even if those fears are unfounded. So if you aren't considering layoffs, tell your staff that and thank them for putting in extra effort.

Tap employees to gather suggestions for how to economize. From using the color printer only when needed, to reading documents online instead of printing pages, to enhancing efficiency through better teamwork, small changes can add up to big differences. You may discover that an employee wants to reduce hours and work part-time. On the other hand, if you've been tolerating poor employee performance for some time, the economy may push you to take action you should have taken long ago.

If you feel that, for economic reasons, you have to terminate a solid performer, think twice. Laying off a good employee has a toxic effect on an organization, not to mention the advisor's heart.

Your Marketing. This is not the time to cut the marketing budget. In fact, increase it if possible. This moment represents a unique opportunity, as many clients are searching for new advisors (see "Marketing in a Downturn" sidebar on page 36).

Your Future. A merger may sound like a good way to economize, but the independent solo advisor who has never wanted a partner is allowing the tail to wag the dog if he decides to merge solely on the economy.

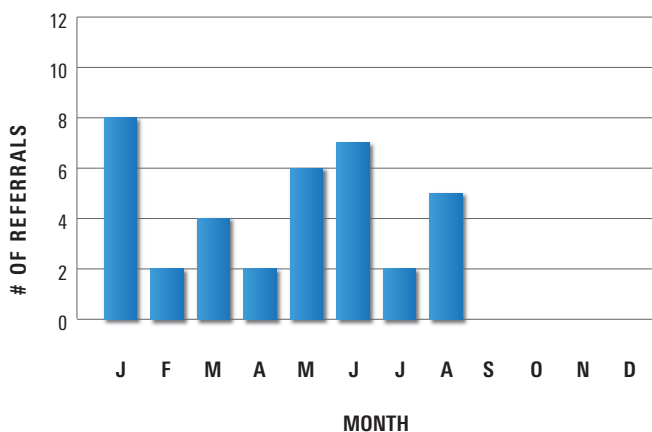
If a merger is something you have talked about for years, now may be an opportune time to create a new, more efficient organization. Consider slow, careful shifts. While you may not want a formal partnership, sharing space, office equipment, or selected resources is a way to economize without going too far.

Your Opportunities. Timing is everything in life. If your lease for space or equipment is up soon, you may be able to find equivalent or better at a bargain. Negotiate a deal with your current landlord or vendor. Buying the office condo that has been too expensive in the past may now be an option.

A different approach is to have a steady stream of marketing for your firm. The third page of your game plan will focus on marketing and will include a marketing plan that relates:

- A definition of your ideal client
- Your value proposition
- A positioning statement that addresses how your firm is different and attractive to ideal clients

MAKE DASHBOARDS ON PAGE FOUR. YOU CAN USE A SIMPLE CHART LIKE THIS ONE (GOAL: ATTAIN 10 REFERRALS FROM A AND B CLIENTS/MONTH) TO DISPLAY THE PROGRESS TOWARD ACHIEVING EACH OF YOUR SMART GOALS LISTED ON PAGE ONE OF YOUR PLAN



- The market niches your firm targets
- The tactics you will deploy for each targeted segment

A final component of your marketing plan is essentially a calendar outlining what will happen each month for each target audience. The beauty of a marketing calendar is that, once it is in writing, it can be delegated to staff to monitor implementation (see sidebar, "Make a Marketing Plan," for more information).

Marketing in 2009 will be more important than ever. But budgets will likely be as pinched as wholesaler support. What to do? (See the sidebar above, "Now Is a Good Time to . . .")

THE PROCESS: PAGE FOUR

The last page is a dashboard—a measuring device for the SMART goals you outlined on page one. Typically, a series of checklists or Excel spreadsheets monitor key SMART goals, all scaled to fit on one page. A support person can maintain the dashboard, which you can use at staff meetings to show the entire team how the organization is performing. Building on the sample goals above, measured items could include new assets under management, number of new ideal clients taken into the firm in the current year, number of referrals from selected strategic alliances, and so on (see "Make Dashboards" sidebar).

DON'T TALK, ACT

Everyone talks about evolving from a practice to a business, but in troubled times a plan is critical for making decisions that are in the best interest of the business. The current uncertain market may just separate the practices from the businesses.

Find a business planning system that you can sustain. The approach suggested here provides an alternative—one that makes the planning process straightforward. If creating a plan seems like a huge cultural change, completing just one of the four pages described here is enough for those with plan phobia.

Whatever approach you take, remember that planning is an annual event and that practice makes perfect. If you are new to a planning process, know that it gets easier and better each year. **IA**

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