Practice Management Presentation

Prepared By: Grant Hicks, CIM
Introduction – Coaching -Consulting -Training
Preparing for the future - Advisor opportunities

- Regulatory changes: Opportunities
- Capacity: More time for ideal clients
- Finding new ideal clients: Growing revenue at 17%+ per year
Future ready

- Global perspective
- No more practice
- Total charges and compensation in 2016 is $6150
Top 10 challenges for advisory firms

1. Lack of capacity to serve clients
2. Building value in the practice
3. Improving efficiency
4. Getting better clients
5. Managing growth
6. Offering value-added services
7. Keeping pace with technology
8. Developing specific expertise internally
9. Maintaining a life outside of the business
10. Time management

From the Book “Practice Made More Perfect”, Mark C. Tibergien & Rebecca Pomering
Bloomberg Press 2011
Practice management challenges
Process, Process, Process

43% of advisors have NO documented unique value proposition.

73% of advisors have NO written service agreement processes.

75% of advisors have NO formal definition of ideal client.

85% of advisors have NO formal client feedback system.

The Future of Practice Management, an inaugural study by the FPA Research and Practice Institute a program of the Financial Planning Association® (FPA®) - December 2013
<table>
<thead>
<tr>
<th>Key Value Driver</th>
<th>% of USA Practice</th>
<th>Increase in Revenue per Principal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client Management System</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paper based files</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>CMS Software</td>
<td>73%</td>
<td>46%</td>
</tr>
<tr>
<td>Use Your Offices</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 50% of meetings-on-site</td>
<td>37%</td>
<td></td>
</tr>
<tr>
<td>More than 90% of meetings-on-site</td>
<td>27%</td>
<td>21%</td>
</tr>
<tr>
<td>Client Segmentation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>38%</td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>62%</td>
<td>33%</td>
</tr>
<tr>
<td>Formally Asked For Feedback</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>72%</td>
<td></td>
</tr>
<tr>
<td>Yes - Written Internal</td>
<td>13%</td>
<td>11%</td>
</tr>
<tr>
<td>Yes - Written External</td>
<td>2%</td>
<td>52%</td>
</tr>
<tr>
<td>A Class Client Contacts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 5 per year</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>5 - 10 per year</td>
<td>50%</td>
<td>22%</td>
</tr>
<tr>
<td>More than 10 per year</td>
<td>38%</td>
<td>60%</td>
</tr>
<tr>
<td>Documented Business Plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No Need</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>Don't Know How</td>
<td>19%</td>
<td>9%</td>
</tr>
<tr>
<td>Yes</td>
<td>56%</td>
<td>47%</td>
</tr>
<tr>
<td>Succession Planning</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No Written Plan</td>
<td>85%</td>
<td></td>
</tr>
<tr>
<td>Written Plan</td>
<td>12%</td>
<td>31%</td>
</tr>
<tr>
<td>Effective (written plan, reviewed regularly, successor identified, funding in place)</td>
<td>3%</td>
<td>62%</td>
</tr>
<tr>
<td>Coach Advisor</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>68%</td>
<td></td>
</tr>
<tr>
<td>Meet 1x per Year</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Meet 2x per Year</td>
<td>26%</td>
<td>26%</td>
</tr>
<tr>
<td>Position Description</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 50% of staff</td>
<td>32%</td>
<td></td>
</tr>
<tr>
<td>More than 50% of staff</td>
<td>68%</td>
<td>31%</td>
</tr>
<tr>
<td>Aware of Practice Goals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 50% of staff</td>
<td>32%</td>
<td></td>
</tr>
<tr>
<td>More than 50% of staff</td>
<td>68%</td>
<td>41%</td>
</tr>
</tbody>
</table>

Practice Management Metrics-research based

Source Business Health Pty Ltd.
2013 US Advisors
Key Value Drivers USA*
The Value of Practice Management
3 Critical Business challenges

- Written plan of attack – Project 100
- What is a quality financial plan?
- No systematic process for implementing
Plan for the practice

- 74% regularly track their progress to plan (quarterly or more frequently)
- 33% appear to be light on processes

<table>
<thead>
<tr>
<th>DOCUMENTED BUSINESS PLAN</th>
<th>% PRACTICES</th>
<th>PROFIT IMPACT PER PRINCIPAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>72%</td>
<td>-</td>
</tr>
<tr>
<td>Yes</td>
<td>28%</td>
<td>+41%</td>
</tr>
<tr>
<td>Effective implementation (fully doc., 6mth reviews, mthly progress to plan)</td>
<td>3%</td>
<td>+246%</td>
</tr>
</tbody>
</table>

Source: Business Health Key Value Drivers USA 2013 Business Health PTY Ltd
What do you do for $___,000 per year?

- Tax Planning
- Wealth management
- Financial planning
- Estate plan
- Insurance / Risk management
What do you do for $___,000 per year?

• Goals and Values?
• Is your process valuable?
• Outcomes?
• Scripted? Recorded?
• Practice, dry run meetings?
Ideal Clients

Trusted Advisor

Administrative Manager

Tax
Money Manager
Financial Planner
Insurance
Legal

Source: Bill Bachrach.com
Values Based Financial Planning
For use with financial professionals only
Understanding today’s investor

1. Truly understanding their family needs
2. Having their best interests at heart
3. Providing timely communication

Value proposition - in writing

1. Receive – upfront and ongoing
2. Cost
3. Ongoing process / communication
4. Successful
Delivering value

- Coordinate – with other professionals- Magic 6
- Comprehensive- understand all needs
- Values process– what’s important ?
- Accountability- just like coaching holding your clients accountable to their plan and investments
What is the cost of advice?

- **A breakdown of the cost of advice**  The cost covers a number of services involved in the management of your portfolio.

  - **Investment Dealer (approx. 20%)**
    - Account openings
    - Transaction processing
    - Production, printing, and mailing of account statements and transaction confirmations
    - Regulatory compliance
    - Physical office space

  - **Administrative fees, and taxes (40%)**
    - GST or HST as applicable
    - Office and overhead
    - Fund accounting and Auditing
    - Record keeping
    - Staff administration costs
      - Website client support and technology
    - Advisor and Team continuing education

- **Investment advice – ongoing (20%)**
  - Investment management expertise including:
  - Investment research
  - Ongoing portfolio monitoring
  - Portfolio management acquisition and disposition
  - Investor education and client reviews

  - Planning advice (20%)
    - Investment planning advice for retirement
    - Cash flow analysis and portfolio recommendations
    - Portfolio construction, monitor and implement
    - Tax efficiency strategies
    - Asset protection and estate planning services
    - Investor emotional bias
    - Second generation wealth advice
    - Tax simplification service

For use with financial professionals only
What is the total cost of advice and portfolio management

- Cost of advice
- Cost of money management

Total annual cost

For use with financial professionals only
Trust meter
Client progress updates
the moment of trust

- 52% deliver ‘all encompassing’ experience
- 60% spend 1 - 1.5 hours
- 25% involve more than one person
- Checklists

<table>
<thead>
<tr>
<th>DOCUMENTED PROGRESS UPDATE</th>
<th>% PRACTICES</th>
<th>PROFIT IMPACT PER PRINCIPAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>29%</td>
<td>-</td>
</tr>
<tr>
<td>Yes</td>
<td>71%</td>
<td>+34%</td>
</tr>
<tr>
<td>Effective implementation (documented, more than 1 person, 1-2hrs)</td>
<td>52%</td>
<td>+103%</td>
</tr>
</tbody>
</table>
Sample Ideal Client Agenda

1. ______________________________________________________________

2. Progress update - goals

3. Old world new world

4. Checklists

5. Feedback

6. Communication

7. Next Meeting : ____________________

8. Events / case study
Practice management challenges
Process, Process, Process

- 43% of advisors have NO documented unique value proposition
- 73% of advisors have NO written service agreement processes
- 75% of advisors have NO formal definition of ideal client
- 85% of advisors have NO formal client feedback system

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Treat all clients fairly, but not equally

- 63% all staff know their “A” clients
- 38% offer the same service to all segments?
- Ideal client?

<table>
<thead>
<tr>
<th>CLIENT SEGMENTATION</th>
<th>% PRACTICES</th>
<th>PROFIT IMPACT PER PRINCIPAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>29%</td>
<td>-</td>
</tr>
<tr>
<td>Yes</td>
<td>71%</td>
<td>+68%</td>
</tr>
<tr>
<td>Effective implementation</td>
<td>23%</td>
<td>+146%</td>
</tr>
<tr>
<td>(diff. services, involve staff, review regularly)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Business Health Key Value Drivers USA 2013 Business Health PTY Ltd
Your client service costs? Segmenting clients

<table>
<thead>
<tr>
<th>Client service costs examples</th>
<th>revenue</th>
<th>target</th>
</tr>
</thead>
<tbody>
<tr>
<td>• A  6-10 hours ( $200-300 hr+)</td>
<td>$ 2-3000</td>
<td>$5000</td>
</tr>
<tr>
<td>• B  4-6 hours ( $200-300 hr+)</td>
<td>$1500</td>
<td>$2500</td>
</tr>
<tr>
<td>• C  2-4 hours ( $200-300 hr+)</td>
<td>$1000</td>
<td>$500?</td>
</tr>
</tbody>
</table>
Client win-win communication

“Gee I’m glad you called because I was meaning to speak to you about...”


<table>
<thead>
<tr>
<th>A CLASS CLIENT CONTACTS</th>
<th>% PRACTICES</th>
<th>PROFIT IMPACT PER PRINCIPAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 10 per year</td>
<td>65%</td>
<td>-</td>
</tr>
<tr>
<td>More than 10 per year</td>
<td>35%</td>
<td>31%</td>
</tr>
</tbody>
</table>
Practice management challenges
Process, Process, Process

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Ideal client win-win profile

- Minimum upfront revenue $________
- Minimum recurring revenue $________

___________  # ideal clients now  __________ target
Where advisors need help?

Getting More Specific: What Are the Areas in Which You Need the Most Help?

<table>
<thead>
<tr>
<th>Area</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhancing prospecting and client acquisition skills</td>
<td>71.4%</td>
</tr>
<tr>
<td>Improving client communications</td>
<td>61.5%</td>
</tr>
<tr>
<td>Creating differentiation</td>
<td>57.3%</td>
</tr>
<tr>
<td>Defining and executing a business strategy</td>
<td>55.6%</td>
</tr>
<tr>
<td>Developing marketing and branding materials</td>
<td>54.7%</td>
</tr>
</tbody>
</table>

Source: thinkadvisor.com pursuing practice excellence study By Spenser Segal and James J. Green Investment advisor group and Actfi 2012
http://www.thinkadvisor.com/2012/05/22/pursuing-practice-excellence-the-advisor-perspecti
Attracting Ideal clients

- Meet (events / agenda)
- COI (events)
- Feedback forum – clients
- Feedback Forum – COI
- Referrals – case study
- Referrals – Linked in
Attracting Ideal clients

- Case studies (each segment)
- Meet
- Problem
- Solutions
- Results
Practice management challenges

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Key Metrics for financial advisors

Revenue increase 12 months ________%

Key metrics
Revenue
Assets
New ideal clients
Fee based %
Number of clients
Number of ideal clients

<table>
<thead>
<tr>
<th>How Do You Measure Business Success?</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>85.8%</td>
</tr>
<tr>
<td>Client satisfaction</td>
<td>79.7%</td>
</tr>
<tr>
<td>Assets</td>
<td>73.5%</td>
</tr>
<tr>
<td>New clients</td>
<td>65.8%</td>
</tr>
<tr>
<td>Investment performance</td>
<td>44.2%</td>
</tr>
<tr>
<td>Expenses</td>
<td>36.9%</td>
</tr>
<tr>
<td>Employee satisfaction</td>
<td>25.2%</td>
</tr>
<tr>
<td>Financial ratios (e.g., revenue per employee, expense per client)</td>
<td>13.9%</td>
</tr>
<tr>
<td>Number of financial plans</td>
<td>13.1%</td>
</tr>
</tbody>
</table>

Source: thinkadvisor.com pursuing practice excellence study by Spenser Segal and James J. Green Investment advisor group and Actfi 2012
http://www.thinkadvisor.com/2012/05/22/pursuing-practice-excellence-the-advisor-perspecti
## Client feedback

<table>
<thead>
<tr>
<th>FORMALLY ASK FOR FEEDBACK</th>
<th>% PRACTICES</th>
<th>PROFIT IMPACT PER PRINCIPAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>85%</td>
<td>-</td>
</tr>
<tr>
<td>Yes</td>
<td>15%</td>
<td>+73%</td>
</tr>
</tbody>
</table>

Source: Business Health Key Value Drivers USA 2013 Business Health PTY Ltd
Clients ranking value in the review process

Is your business different? (businesshealth.com.au)

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>RELATIONSHIP</th>
<th>REVIEWS</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.A</td>
<td>First</td>
<td>Ninth</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>First</td>
<td>Eighth</td>
</tr>
<tr>
<td>Singapore</td>
<td>Second</td>
<td>Eighth</td>
</tr>
<tr>
<td>New Zealand</td>
<td>First</td>
<td>Ninth</td>
</tr>
<tr>
<td>Australia</td>
<td>First</td>
<td>Ninth</td>
</tr>
</tbody>
</table>
Client feedback

BUSINESS HEALTH - CATScan Benchmarks

- Business Relationship
- Professionalism of Business Practice
- Standard of Support Staff
- Financial Knowledge
- Understanding
- Implementation of Solutions
- Range of Financial Services
- Communication
- Financial Review Process

Source: Business Health Key Value Drivers USA 2013 Business Health PTY Ltd.
Client win-win strategies- Agenda process

Q. 3 things you value the most about our services?
• _______________________________
• _______________________________
• _______________________________

Q. How important? Ask both husband and wife
Q. What is it worth to you?
Q. What is one thing we could be doing differently?
Implementing feedback  7, 7

- Select 7 clients for feedback at the end of a progress update
- Select a different 7 clients for feedback on fees
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Starting Point

01 Define ideal client = case study
02 Find out what their values and goals are
03 Complete client feedback to build your value proposition
04 Complete a quality financial plan for 100 clients
Contact us for Coaching Consulting or Training

Prepared By : Grant Hicks, CIM

Email grant@ghicks.com

Tel 4039708895