Research:
HELPING ADVISORS HELP THEIR CLIENTS

Bill Good's original article first appeared in Research Magazine. Mr. Good is Chairman of Bill Good Marketing, a company helping Advisors double their business since 1977.

THREAT ASSESSMENT: ACT NOW TO CONVERT THESE FIVE THREATS TO OPPORTUNITIES. BY BILL GOOD

THE
BILL GOOD MARKETING SYSTEM®
IS FIRST AND FOREMOST
A SYSTEM.

THAT MEANS
IT COMBINES MANY ELEMENTS
INTO A SINGLE UNIT.

WE DEFINE THE SYSTEM AS

A CRM-BASED,
CLIENT MARKETING,
PROSPECTING,
AND **PRACTICE MANAGEMENT**
SYSTEM.

Author's Note: *As usual, I have a lot to say and not enough space to say it. That's why I invite you to visit* www.billgoodmarketing.com/5threats. *There I have posted webinars and strategies to help you deal with these threats to the viability of your business.*

THREAT #1: FEE COMPRESSION

Don't even think for one minute you can escape fee compression. It's happening now and will continue to happen.

Fees are now 1% or even a little less. Ten years ago, they were double that. In another decade, or sooner, they will be half again what they are now.

Why?

1. Supply and demand. DOL has chased tens of thousands of commission FAs into the fee side of the business.
2. Price competition. Vanguard is about 35 basis points. Robo advisors are charging 25 bps.

The math is simple.

Let's say you have $50 million AUM. At 1%, your annual revenue is $500,000. At .75%, your gross revenue is $375,000. On the way to .75%, you need another $16 million *just to stay even*. More clients are taking more principal to live on. And then there is that dreaded sucking sound. Because you did not get accounts open with the beneficiaries, when the last primary client dies, 85% of the deceased client assets leave the firm. And that can result in a nearly impossible situation to recover form. I will explain this and other scenarios "Threat Assessment" website.

Obviously, the solution is more assets…and quickly. But there's another problem. Most advisors today only rely on two channels to bring in new assets.

You: Okay, Bill. What is a "channel?"

Me: If you look up "channel" in a dictionary, you find it is a "passage for water or other liquids to flow." Like water, AUM flows.

Me: Most advisors today (43% of whom are over the age of 55) only rely on 2 channels—assets from clients and assets from client referrals. Based on a lot of experience in this industry, I can tell you that these two channels rarely produce a growing business. They mostly sustain, *unless of course fees are going down.*

To grow a business, especially in the face of fee compression, you need 3, 4, or even 5 channels all producing new assets.

THREAT #2: FORGETTING HOW TO SELL

Sadly, there is a problem in reaching out beyond the comfort and warmth of clients and their referrals.

The "seniors" have forgotten how to sell. The "juniors" have never been taught.

Let's talk about the seniors.

You know who you are. You came in the industry with the wave of baby boomers in the late 80s or early 90s. You built a successful career. You have a good life. You have a lovely home; your children went to great schools. You work a few hours a day, generally take Fridays off and probably take at least six weeks of vacation.

You have been able to maintain your standard of living, but you have been on a plateau possibly for as long as a dozen years. And that's been okay.

But it's not okay any longer. Clients are dying, and it takes four new clients from referrals to replace the assets that grew legs. Even despite the booming market for the last 18 months, assets under management are shrinking.

You take a pledge. "I'm going to start prospecting." You start networking, cold calling even, perhaps some seminars. You start generating some leads.

But your closing rate, to use a technical term, sucks. You are closing 15% and you need 40%.

You're thinking, "I used to close 80%! What happened?"

Well, who were you closing?

Your client Bob called you and said his brother and sister-in-law have inherited some money from her Great Aunt Martha. Bob say, "I told him you would call and tell him what he needs to do with that money. Here's his phone number."

[1]Addressing the Shortage of Millennial Financial Advisors, https://www.thinkadvisor.com/2017/03/28/addressing-the-shortage-of-millennial-financial-ad/?slreturn=20180204113745

I cannot, during a 2000-word article, give you all the solutions to poor selling skills. But I can give you solutions to the most frequent and painful lapses I have encountered in the last couple of years. Here goes.

First, take out your "Little Black Book of Things Known to Be True." Write this down:

If you think you are having trouble closing, you're not. The real problem is earlier in the presentation, most likely in the 1st meeting.

A properly executed sales presentation flows naturally to a close which is just a tiny piece of the overall presentation. If the close is not happening, I assure you: THE PROBLEM IS EARLIER.

Most likely, the problem is in the first meeting which should only deal with Discovery. And not just any discovery, as I will explain.

Here are two recent closing situations.

After hearing the usual tale of woe about closing, I asked each of two clients, "What do you do in the first meeting?"

FA #1: I go through a questionnaire provided by my firm.

Me: Can you send it to me?

FA#1: Yes.

Me: (after briefly looking over the questionnaire) "This is possibly the worst I've ever seen." And it was. It was 6 ½ pages of detailed questions about investments.

There was no question in that dreadful document that even asked, "Why are you here?"

There was no chance to find out about their family, their goals, their fears.

I can imagine George and Lil leaving the office. George says, "Let's talk to your cousin Ralph. Maybe he will introduce us to his guy."

Here's the second conversation:

Me: What do you do in the first meeting?

FA #2: I listen and try to find a product to pitch.

Me: Let's don't do that. Let's focus on your Discovery meeting. Find out – discover -- why they are there, what they want to accomplish, what causes them to stay awake at night. Determine if we can help them.

In both cases, I sent each a "Family Values" questionnaire. In the case of FA #2, simply by following "The Good Way to Sell," his closing percentage jumped from about 20% to about 60%.

Moral of the story: In your Discovery Meeting, only barely touch on what they own. Find out why they are there talking to you in the first place. Because I'm in a good mood, I've even put a link to a webinar, "The Good Way to Sell Advice." You can solve this problem.

THREAT #3: RISE OF THE MACHINES

I believe the primary effect of the Robo advisors is downward pressure on fees.

Betterment charges 25 basis points, Vanguard 30, others, all in that range.

Except for 2 or 3 companies, average minimum account is $5000.

Schwab Intelligent Portfolios has about 19 billion under management. Betterment, the oldest player in the place, has about $10 billion. Look at Barron's 1200. There are individual advisors with more.

Nevertheless, investors read about fees. The more savvy of them are aware of Warren Buffet's repeated reminders that "Most investors are better off sticking with passive, low-cost, index-tracking products." In his latest letter, he reminds investors, "Performance comes, performance goes. Fees never falter. "

[2] Rating the Robo-Advisors, Barron's, July 29, 2017.

[3] 7 highlights from Warren Buffett's Berkshire Hathaway investor letter. MarketWatch.com. Feb 26, 2018

Differentiate yourself. It's called branding. Offer services the robos don't offer. Even consider bundling your service, offering services with the asset management fees you are paid. And get busy building your assets under management.

THREAT #4: WHEN CLIENTS DIE, ASSETS FLY

Clients dying is a major threat to advisors who came in the industry in the 80s and 90s.

Then, as now, you went after the IRA rollover. Well, your retirees from the early 90s are now in their 80s.

Mortality statistics, and just simple observation, tell us the husband dies first. Unless you have a relationship with the wife, their assets become her assets. They go wherever her kids tell them to go. They do not stay with you.

I have no idea how many FAs fail to develop relationships with the wife. But I can tell you that a very high percentage of databases we see DO NOT include the spouse name when sending a letter nor when sending an email.

In some cases, the spouse does not even know who you are.

In some cases, you do have an excellent relationship with her. You are her advisor, too. When Bob dies, she will most likely stay with you the rest of her life.

But sooner or later—generally later where the husband predeceases the wife—the reaper again calls on this family. Lil passes away. A couple of weeks or months later, when you start your computer one pretty morning, you hear the dreaded sucking sound as assets transfer out. Clouds roll in on your day.

It's not fair, is it? You helped them build that wealth. It doesn't even wave good-bye.

Why?

You were branded initially as "Bob and Lil's financial advisor." Then "Lil's financial advisor." Her kids are no more going to use you than they will her dentist or doctor. You need to be branded as "The Jones Family Financial Advisor."

You badly need to plug this leak.

Here are some ideas on how to do it.

1. Start with your oldest clients. Evaluate the strength of your relationship with the spouse, if living. If weak, make an individual plan for each couple to strengthen that relationship. It might take a while to do this. Best bet: Set up a luncheon for the wife's birthday. If that's awkward, invite her to a birthday lunch for the husband. Do some women-only "basic investing" seminars. Invite your widows to a Valentine's Day lunch. If you have a lot, do a lunch and dinner.
2. Identify all the beneficiaries. You can round up most of them by inspecting the beneficiary statements in retirement accounts and insurance policies. Most broker-dealers include beneficiaries in their new account forms. Enter each beneficiary and spouse and their children as a separate household in your CRM.
3. Make a plan for each family on how you are going to meet the beneficiaries. If your relationship with the wife is at all shaky, include her in your "relationship enhancement plan." Pay special attention to the child who has been tapped as executor.
4. Do your best to get your clients to start a gifting program for their kids and grandkids. You now become the hero -- not a zero. While doing this, you will start to get accounts open. For the money to stay with you after the last primary client dies, it must have a place to go. The solution to assets growing legs and leaving is having an account open with the beneficiaries, especially the executor.

THREAT #5: HAVING A BAD SUCCESSION PLAN (OR NO PLAN AT ALL)

This one can be nasty.

In my conversations with countless financial advisors, I normally ask, "When do you plan to retire?"

Frequent answers are: Never, they will have to drag me out of here. I will slow down and keep a few clients, but I love what I do.

That's all well and good, noble, and will probably extend your life because people who love what they do tend to live longer. But the reality is sooner or later, the Reaper will come calling. And unless you have taken steps, the business you have built over a lifetime will be passed out or sold at distressed prices.

Some of you reading this article have already experienced clients looking at you kind of funny and then asking, "When something happens to you, what happens to me and my money?" They are starting to make their own succession plan with one of your younger competitors.

The mere perception you do not have a succession plan will also slow down new asset acquisition.

You really have only three choices.

1. Bring on a junior advisor, groom him or her, do a buyout contract, and, preferably, retire. Don't keep a few clients and hang around. Let your junior become a senior.
2. List your business with FP Transitions and sell it.
3. Merge with a practice owned by one or more younger advisors.

Your ideal successor is in his or her 40s or very early 50s.

So where do you find them?

Most of the BDs have a relationship with FP: Transitions. BDs don't want the assets going to another BD.

Develop a mailing list. Do a google search for "Financial advisor near MyCity." Click on Images. You now have the photos of all the financial advisors in your area. Some are obviously long in the tooth. Some look like they just got out of high school. Remember, every marketing campaign starts with a list. For those in a wirehouse, get their home addresses. (White pages.com or property tax assessor's office online.) Start mailing to them. Join the Financial Planning Association (FPA). Meet younger advisors.

***

So, there you have it. Five threats and what to do to mitigate or even convert them to opportunities.

BILL GOOD MARKETING, INC
6891 South 700 West, Suite 100
Midvale, UT 84047

billgoodmarketing.com