



Berkshire

DIVIDEND STRATEGY

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Practice Management Insights

The New Advisor Formula: Strategies for Capturing Money in Motion

We hear advisors lamenting a lot about the fees in the advisory business – and in particular, how much those fees are going down. As we look across the partners we work with, we find successful advisors view declining fees as only one part of a broader revenue equation, which we call the “New Advisor Formula.”

New Advisor Formula: 30 + 85 + 28 + The X Factor

The formula brings together a multitude of trends defining the opportunities for today’s advisory businesses:

- \$30 trillion generational wealth transfer underway
- 85% of children will fire their parents’ advisors
- 28% of advisors are considering retirement

These trends are impacting you right now, whether you are new, established or just taking on a new book of business. The formula means money is in motion and advisors who can compete on a new playing field are likely to thrive despite lower fees. (Source: Natixis)

What’s the X Factor? Good question – we will come back to that in a bit.

Adapting for Success

How are successful advisors capturing this money in motion? The short answer is they are adapting the definition of an advisor.

Traditional advisor – a general financial planning expert with broad investment knowledge.

“New” advisor – a strong relationship builder who acts as a sophisticated financial problem solver for a specific type of client.

Being a reliable financial problem solver seems to come down to three key traits:

1. You know who you want to help. Today’s most effective advisors succeed by defining a very specific niche and becoming a deeply knowledgeable resource to that community. We call it “creating your advisor super power.”

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2. You focus less on “being the expert” and more on coordinating the expertise of others. Building relationships with investment managers, tax experts or other resources that you know would be valuable to your select client group. When you can offer your clients an entire network, it’s very difficult for them to move on.
3. You make client service and client communication your top priority. Time demands on advisors can be overwhelming and can limit the client connections that are so important to sustained success. Choose investment

The X Factor: Technology

Successful advisors have one other thing in common – they are very effective at using technology to create efficiencies, streamline operations and build connections with their clients. Pulling the right technology levers unlock huge productivity gains and clear a path for volume and market share growth. Today’s tools are better than ever, allowing you to do more sophisticated work in less time and scale your practice in ways that were impossible just a few short years ago.

We see advisors leveraging many supportive technologies:

- Planning software
- Customer relationship management software
- Outsourced investment programs using Unified Managed Accounts
- Social media/marketing automation

Technology allows you to provide highly tailored service without a high cost. The specific technologies you use are less important than having technologies to meet client needs in a productive and less time-intensive way.

Robo-Proof Your Business

Adapting to the new advisor realities takes creativity and fresh thinking, but it solves a lot of problems. For example, taking a simpler operational approach and using good technologies can reduce your overall costs and allow you to stay cost competitive and profitable.

Your chief competition – robos – succeed primarily by providing a generic, low-cost solution to a generic audience. No one views their financial needs as generic. Your clients want an advisor who is willing to take the next step and develop a deeper understanding of their financial needs and opportunities. Advisors who answer the call become trusted resources who are worth every penny their clients spend.

Conclusion? Every industry has challenges and opportunities. Yes, fees for access to basic investment planning are going down. However, when you combine the sheer amount of dollars in play, better technology and the countless ways to differentiate yourself, the future actually looks pretty bright!

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