



Berkshire

DIVIDEND GROWTH STRATEGY

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Practice Management Insights

Advisor Checklist For All Time Highs?

Again, markets are ticking at all-time highs... Clients are likely feeling good and your business is probably coming off a record year. However, it's not time to get complacent. Instead, it's time to bank goodwill you've probably earned during this bull-run. Here are focused activities to bolster client relationships:

1. Have the "risk" conversation -- Now! Remind clients what downside feels like in dollar terms. Quantify the dollar amount they have invested in equities and calculate the loss if the market declined 20-30% (a meaningful correction). If they can't handle a one-year loss of this magnitude, discuss rebalancing.
2. Talk down return expectations. Yes, this sounds basic after coming off the last decade. But despite lip service to the contrary, clients typically have very unrealistic return expectations even in normal times.
3. Scrutinize manager/fund returns even more closely. Did a winning strategy: Take on undue risk? Benefit from gains concentrated in a few risky positions? Gain from a macro tailwind that might now reverse? Own lower quality names?
4. Start talking about what conditions would begin to spark potential changes to their investment lineup. One simple sentence can prove you are proactive: "I'm contemplating a few changes to your portfolio".
5. If you haven't done a full financial plan, now is the time. It will help remind clients you do more than investment management – which will be critical if we go through another down cycle. Plus, you will likely uncover additional assets and/or discover client objectives you didn't know about. Remember – solving big problems means potentially landing big assets.
6. Talk about charitable giving – it's a great way to uncover client philanthropic passions. And while you're at it, consider making a contribution to the client's charity, volunteer for the next event, or help them fund raise.
7. Get the spouse or kids involved. You might ask "is there anyone else in your family who should know about what goes on here?" Build continuity and start to lock down future generations. Client attrition runs as high as 85% after death of a spouse or parent. You don't want to be meeting the kids or widow/widower at the funeral.
8. Use the "Marie Kondo" de-cluttering method for clients and strategies. "If they don't give you joy, thank them and then -- say goodbye". Streamline into your favorite clients and your highest conviction strategies you know inside and out.
9. Carefully dissect recent AUM growth: how much of the growth came from client wins, and how much came from asset appreciation. For the former, carefully dissect the steps of how you won those new assets, and see if you can replicate those conditions. This creates a disciplined repeatable process for client acquisition.

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Dividend Highlights

- Dividend growth can often provide transparent insight into a company's fundamentals and vitality.
- Dividend growth can provide an attractive stream of increasing cash flow to satisfy many financial objectives.

10. Consider lowering portfolio beta and focus on income generation.

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