



# Berkshire

## DIVIDEND STRATEGY

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"Casual Friday" Commentary

### Casual Friday: "BOA" Part 3 + Receding Tide? – September 9<sup>th</sup>, 2023

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#TGI Casual Friday --- Special Saturday Morning Edition

The tide is receding a bit this week on the high-valuation growth trade... It resembled another day I marked on the calendar -- 8.24.2023 – Growth was outperforming value by 100bps in the am after NVDA crushed earnings. By EOD value outperformed growth and NVDA closed in the red. I thought "Is the Nasdaq topping out?" Short-term buyer fatigue or first innings of a broader rotation?

### Blue Ocean Advisor Part 3

Previous two here: [Blue Ocean Advisor Part 1](#) - [Blue Ocean Advisor Part 2](#)

- “We seek to create a financial roadmap to help you achieve your dreams”
- “Each client receives a customized plan to help navigate your financial journey”

Most advisor websites seemingly have taglines about personal financial planning for a relatively non-specific group of clients. But financial planning for “high net worth” or “wealthy families” doesn’t really begin to differentiate. Advisors often use generic marketing messages to compete on minor points of differentiation in a crowded “Red Ocean.” Many are saying the same thing in slightly different ways, but the reality is most fail to deliver on the promise of specific, *holistic financial planning* or reserve it for top-tier clients.

Why? Consider a wealthy Disney executive. An advisor would need to be an expert in trust and estates, Disney's executive comp plan, taxation and insurance to fund an ILIT in the most tax-efficient way with highly appreciated stock options within the broader context of a financial plan. If the advisor doesn't specialize, they won't have the messaging, scale, or expertise to credibly compete for this client - they are fighting in the bloody red ocean with inferior tools. Second, most advisors serving the rank and file won't have the time.

But... that advisor who specializes and executes a holistic financial plan for the Disney executive to fund an ILIT in the most tax-efficient way with highly appreciated stock options, while coordinating the team of professionals is probably a Barron’s top advisor and growing their practice way faster than most. A "Blue Ocean" approach is about creating uncontested market space. A specialized approach like this affords the advisor to credibly say they are one of only a handful of advisors in the country equipped to handle these specialized needs of Disney execs. It's the advisor's niche. *(Disney is purely an example within the context of advisors creating a niche planning skill. Berkshire Dividend Model Strategy does not own the stocks nor should this commentary be viewed as an endorsement to own the stock)*

*Niche planning...*

- May create superior outcomes for clients
- May help you land bigger engagements. Remember as complexity grows, so do the asset levels
- Makes you 10X more referable
- Creates the opportunity for specialized marketing campaigns and vastly accelerates business growth
- Creates standardization and efficiency.

Creating your "Blue Ocean" usually means looking at the competition and doing the opposite. As you contemplate finding your blue ocean remember: Don't be the best, be the only. A good brand repels more than it attracts. Create your own category and you will find yourself swimming in calm blue waters.

Yes, I understand not everyone is in Burbank to serve Bob Chapek as he exited Disney... But here's a few ideas to create and attack a niche.

**Dentists/lawyers/architects/engineers or any small professional practice**

- Research specific retirement plan rules in depth
- Figure out how to get maximum contributions for medical professionals
- Eliminate these crazy fees embedded in most plans

*Sample pitch: "Last week I was talking with a doctor and it looks like he might be able to put away twice as much in his retirement plan and cut fees in half. It will really save him on taxes and increase his nest egg for retirement."*

**Ultra-High Net Worth Business Owner's**

- Become an expert in the estate tax code and various trust vehicles
- Study insurance vehicles to maximize gifting benefits
- Learn tax-friendly exit/liquidity strategies. There is even a specific designation for this now.

*Sample pitch: "I actually thought about you the other day... I've been reviewing a few business owner's estate plans and buy-sell agreements. It's incredible how much the average advisor and attorney actually miss. Last month I caught a big mistake on an ILIT and the fix is going to save the client's estate 1MM+ in taxes."*

**Horse Owners in Saratoga Springs**

- The Tax Cut and Jobs Act in 2018 eliminated personal property assets, including racehorses from Section 1031 like-kind exchange treatment.
- Figure out a creative way to re-shelter the assets in a cost-effective way.

*Sample pitch: "You're likely missing a huge opportunity to avoid capital gains if BoltTastic becomes the next big thing! A few years back, racehorses became disqualified for 1031 like-kind exchanges. But, using a Delaware trust and incorporating the horse may create major tax benefits long term."*

### **Individuals Approaching Retirement Age**

- Memorize the entire Social Security playbook
- Be the best at maximizing after-tax retirement income/assets

*Sample pitch: "Most folks approaching retirement don't know how to do 2 things very well. Maximize their Social Security benefits in the most tax-efficient way. And maximize their other income/assets in the most tax-efficient way. They work hand and glove and if both are done right, it could easily mean 10's of thousands of dollars in your pocket vs. the government's pocket in the upcoming years ahead."*

### **Young Professional Athletes**

- Watch 30 for 30 Broke, take diligent notes and list the top blunders athletes make with their money
- Read a behavioral science book to understand the relationship individuals have with newfound money

*Sample pitch: "Don't be part of the next ESPN "Broke" documentary. It's way more common than advertised because the relationship you have with money is going to change dramatically. I shoot my athletes straight even when it hurts. Those folks claiming "they got you here", likely didn't, your career might end faster than you think, you're not invincible and you might be broke 5 years from now if you don't take your relationship with money very seriously"*

Don't get me wrong, a basic financial plan does a lot of good... it gives clients clarity on spending/saving, gives clients comfort and promotes investment discipline. But I have to say, the majority of advisors out there are not experts in niche planning areas that drive higher engagements, larger clients and more beneficial outcomes. It's "Blue Ocean" territory waiting to be chartered.

### **Ranked: The World's Largest Stadiums**

Football is back! Can you guess the largest stadiums? -- Hint, don't look to the NFL...

<https://www.visualcapitalist.com/ranking-the-worlds-largest-stadiums/>

Have a great long weekend,  
Gerard

Gerard Mihalick, CFA

## Dividend Strategy Portfolio Manager/Partner Berkshire Asset Management, LLC

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