



Berkshire

DIVIDEND STRATEGY

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Practice Management Concepts

Incumbent Tech User, Beware...

The future is officially here, why not deliver investment through the seamless and powerful technology brought by today's unified managed accounts (UMAs)? We were recently reminded of yet another application for UMAs -- winning business. An advisor we know landed a large prospect by poking at the glaring inefficiencies of another's technology/investment offering...

The incumbent advisor was using an old tech stack combining SMAs, mutual fund accounts and an advisor directed accounts:

- Client felt like "data was all over the place" -- Multiple accounts, multiple statements (and multiple advisor platforms)
- Wash Sales -- One manager was selling for a loss, another manager was buying
- Client didn't feel they were rebalanced/buying equities quickly enough in 2020
- Client has taxes in mind, yet no clarity on a process to manage/minimize

This inefficient dystopian model made it difficult to capitalize and deliver on investment trends, tax efficiencies and rebalancing. After identifying the pitfalls -- The advisor we know painted the utopian picture of how leveraging an enhanced tech stack (UMA) would benefit:

- Consolidation of data/accounts/statements/performance reporting
- Tactical and timely rebalancing
- Tax efficiencies/avoidance of wash sales / automated tax-loss harvesting
- An investment strategy automatically flowing through to holistic financial plan tools

Imagine the inefficiencies in the incumbent advisor's practice... Are they a data manager or a wealth manager? Seriously -- Are they spending way too much time opening separate accounts, moving money around to rebalance, culling together performance data, monitoring 5 different cap gains reports and trying to make sense of it with clients as it pertains to their financial plan? Or they're paying someone to do all that work. In addition to losing business, for this advisor the lost time is an explicit cost to their practice and keeps him from delivering premium service.

We had two takeaways from the conversation:

#1. Leverage your tech stack in prospective client meetings, there are still plenty of advisors stuck in old ways.

#2. If you're an advisor stuck in your old ways, change -- because the modern-day advisor is coming after your book.

One more anecdote from this advisor – He keeps allocations and investment conversations simple: “Mr. and Mrs. Client we’ll leverage the enhanced tech mentioned and align investments with your financial plan. We’ll work to simplify and streamline your approach so we could make changes quickly...

- Berkshire SMA aims to generate income, grow income and protect on the downside
- Growth fund XXX to possibly find disruptive technologies with superior long term growth profile
- International ETF XXX because currently yields are high and valuations are lower
- Fixed income manager XXX aims to hedge against equity market risk and provide income

“Together they help align you with your retirement goal. Now let’s talk about your estate plan, and how much money you want to leave to your kids.”

1 account, 4 strategies, and a focused conversation around planning – Which for the majority of clients is utopian not dystopian.

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