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DIVIDEND STRATEGY

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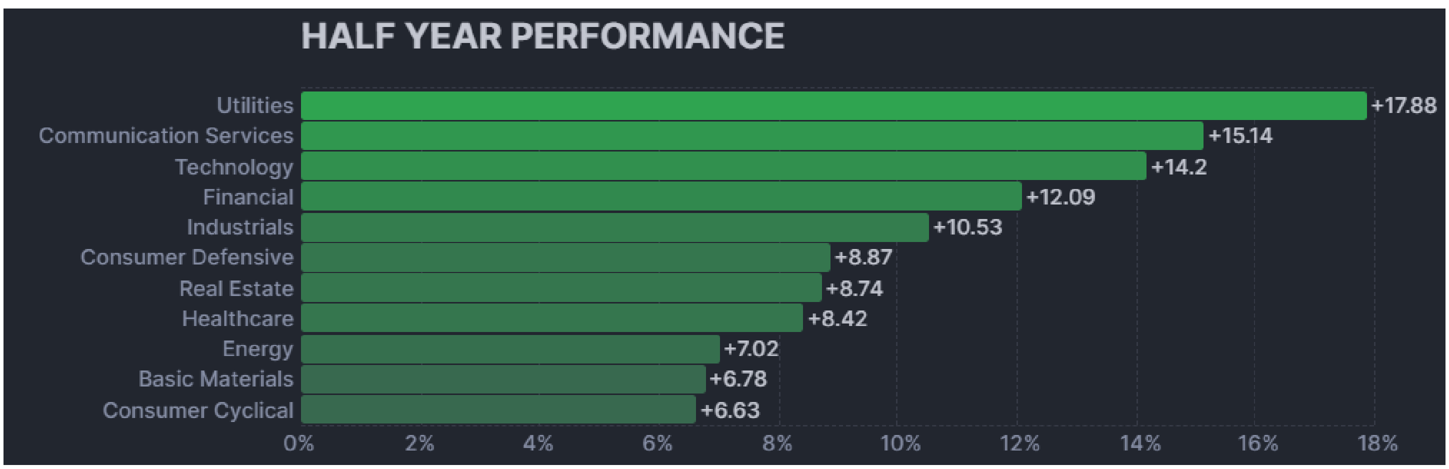
"Casual Friday" Commentary

Casual Friday... And Suddenly... + How To Transition A Practice? – August 2nd, 2024

Dividend Increase Alert: Mondelez Increases Dividend 11%

And suddenly… …bad news is bad news again for stocks. About a week ago, it seemed "oh we are going to get a rate cut, buy stocks." Now, investors' views of the economy (and what that means for stocks) has whipsawed from hot to cold. Yesterday, stocks tanked despite the ten-year dropping below 4% -- Because the news that went with it was weaker ISM data. Many asked: "What's the catalyst for value to do better vs. growth." It's usually not the same twice… In 2022 growth stocks performed poorly with higher rates, now they seem to decline on "bad economic" news and potential valuation concerns. Many quant folks are pointing to the sharpest growth vs value rotation since, you guessed it, 2000. Oh, and just like that, look at the best performing sector over the past 6 months (Source: Finviz as of 8.1.2024)



The biggest transaction of your life?
You've grown your book, brought new advisors on board and built your team. Now it's time to sign a sunset agreement with the successor advisors and your firm. It sounds straight forward - introduce old clients to new advisor, the rest of the team takes over, the firm keeps the assets. You stay on for a period then ride off into the sunset. Everybody's happy right?

Not so fast. Is the team ready? Are the clients ready? Are YOU ready? Is everything in place? Operational agreements, client discussions, hand offs are just the start. Can you calm anxious clients, craft the right communication strategies, streamline the process, train the next generation for your exit. You want your clients to be taken care of and you want your successor to be successful!

There's ALOT to consider when transitioning a practice. So how do you create the best practice playbook? How do you avoid common pitfalls that leave clients seeking alternatives?

It’s like you’re passing the baton in a relay race—you don't want to drop it, and you definitely don't want to trip! Here’s a plan to make sure the handoff is a success…

Like it or not, the best transitions happen over time, with the junior advisor heavily involved. Inform your clients early about the transition. Don’t spring it on them — people need time to adjust. Provide detailed timelines and expectations. Joint meetings earlier are key. Remind them you are still involved! Highlight the depth of services and skills the rest of the team can hone.

In joint meetings, brag about your clients! Share why they’ve been such great clients over the years, brag about their family, make them feel really good while in the room with their presumptive new advisor. It will get them in a place to open up and start building trust / rapport. And while you are at it, brag about your successor advisor – highlight experience, unique skills they might possess, and their longevity ahead.

“Reset” the Relationship. What was true 10 years ago may not be true today. Advisors and their clients build strong relationships over time and with the comfort may come assumptions and complacency. What’s cool, is introducing a new person in to the mix is a greenlight start from the beginning! Allow your successor advisors to start from scratch in the planning process. A good way to start the dialogue: “I know you’ve had relationship with us for years, but let’s pretend like we are meeting or the first time.” It will create ownership in the process and will likely uncover additional assets.

Knowledge Transfer. If It’s only in your head, it’s worthless information when you’re gone! The client and successor advisor can’t benefit if you don’t share it. It’s time to go all in on the CRM system, documenting trading systems and updating any pertinent records. Make sure that useful information in your head is used in the future. Use the tool to create service standards and a regular communication cadence.

Training and Mentoring the new advisor can’t be overstated. Equip them with the tools and knowledge they need. You’re Yoda, and they’re Luke Skywalker! From being in this industry for decades, you know there’s a million different ways to run a practice… but consistency, discipline and creating scalability are timeless principles. Pass on the wisdom. At the same time, be open. There’s tons of new technology and systems that are significantly enhancing practices. Older advisors may be more sales and stock picking oriented, while younger advisors tend to be more process and planning oriented. That’s good as they transfer from an asset-oriented practice to a planning orientated one. And the truth is, you’re not going to get full buy in if you want to just do it your “old way”. Blend ideas… You’ll end up with a better practice and full buy in.

Other Random Thoughts?

- Seek feedback from clients about their experience with the new advisor. Its opportunity to ensure the client is being heard and good context to help coach the new advisor.

- Personalized Financial Journals: Gift clients a high-quality journal with their name embossed on the cover. ***Include a welcome note from the new advisor***, encouraging clients to jot down financial goals and thoughts.
- Financial Goal Setting Calendars: Design a calendar that includes motivational quotes, important financial dates, and space for clients to set and track their financial goals. Note key milestones that should be accomplished through the transition period!
- Make sure your regulatory ducks are in a row -- update contracts and agreements to reflect the new advisor's role.
- Celebrate key milestones in the transition process with clients and the new advisor.
- Throw a couple of reverse retirement anniversary parties! “2 Years Until Retirement Party”. This brings folks together, creating an environment to build rapport!

Mission = Ego aside and realize everybody wins when everybody is involved and has the same incentive. Keep clients, do better for them every day and leave a legacy behind :)

Forbes Finance Council discussed the issue and provides tips on the topic:
12 Pro Tips For Smoothly Transitioning A Financial Client To A New Advisor

Kick Back and Enjoy the Summer Weekend!
The Aperol Spritz Just Won't Quit. Here’s How to Make It Right

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