



# Berkshire

## DIVIDEND STRATEGY

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Practice Management Concepts

### **Exceptional Advisors: Excellence from End to End**

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#### The Opportunity:

- \$125 trillion wealth transfer, yet 85% of kids fire their parents' advisor (Cerulli)
- More advisors over the age of 80 than under the age of 30
- 1/3 of advisors may want to retire in the next decade
- More complexity, but better technology to service a greater number of clients at scale.

(Source: Natixis, Cerulli, SS&C, Carson Wealth Management)

#### The Challenge:

- Increased competition
- Fee compression
- Rapid change, which threatens the old ways of doing business

There are challenges, yes, but the opportunity is a once in a generation.

Over the years, Berkshire has worked with scores of advisors and spent countless hours researching a question: What makes an exceptional advisory practice that will thrive in the years ahead? Here is our list of business principles that encompass most if not all aspects.

#### Exceptional advisors:

1. Define the niche – unique clients, unique problems, unique solutions. Tangible differentiation also leads to specialized marketing.
2. Know their “why.” Cause, mission, purpose drive business, investment and client acquisition strategies.
3. Are intentional about growth. They focus on 1 & 2, the type of practice they want to create, and asset growth is the byproduct. That’s very different from the arbitrary numbers a lot of advisors throw out. Every business and client decision are filtered through the prism not by “gross” but through the greater mission and effects on scale.

4. Go beyond simple “referrals.” They’ve created highly specialized repeatable **systems** to attract their ideal clients - over and over. Referrals, while welcome, are not a marketing system. Social media programs, affinity groups, speaking engagements, trade shows, media appearances, business alliances, seminars are.
5. “I have a very special set... of planning skills in large financial areas clients care most about.” Remember the iconic Liam Neeson quote in the movie Taken? Be a true bad a@@ at solving big complicated, problems and you’ll likely get big assets. The corollary? We see a highly tangible shift between modern advisors accelerating growth through developing, marketing and executing a sophisticated, comprehensive planning process vs. “I can get you a great return.”
6. Are forming highly focused, highly specialized TEAMS who together package and deliver all-encompassing wealth management services to the wealthiest of families. We see the biggest teams getting bigger and more specialized.
7. **OUTSOURCE INVESTMENTS:** We see exceptional advisors tending to engage with a highly curated list of **outsourced investment partners**/models uniquely committed to their practice. We think an advisor as portfolio manager is simply not credible given all the other demands.
8. Create a disciplined repeatable process...in every aspect of business. Process. Process. Process. A key differentiator? Who can serve the most clients, aggregate the most AUM in the most efficient way? And a simple business plan or mission statement doesn’t cut it. Many teams even have COO’s who drive metrics for team and client performance.
9. Focus on both sides of the balance sheet. Net worth is assets LESS liabilities, so how can you call yourself a wealth manager if you only focus on the right side of the balance sheet. An Investnet survey showed 84% of respondents wanted "loan and credit management" yet only 5% felt they received it. [Investnet Survey](#)
10. Know how to “no.” They understand no piece of business is worth sacrificing scale, mission and efficiency. All AUM is NOT created equal. They don’t accept business that doesn’t fit, and they surely don’t cave to the short-term performance whims for the sake of client retention. Many advisors we know took significant (20-30%) hits to business in the near term to increase production later and work far fewer hours.
11. Create simplified investment strategies that scale in a complicated world. Harness the power of simple compounding vs. macro. Think back over your career and all the hours and hours of research and discussions with clients about “macro” has it REALLY added value, or has harnessing long term compounding and time IN the market done the trick?
12. Possess a growth mindset. The work of getting better never ends.





Don't take my advice, the data is crystal clear. Advisors who outsource, have a niche, and do specialized planning have:

- 10 x referrals
- 3 x average account size
- 28% more time

[Source Kitces Niche Building](#)

More Services, More AUM? The chart below shows a clear correlation between services offered and AUM. So, we ask, how many elements can you synthesize into your practice? How committed to modernization and change are you? And you don't have to do it alone. Berkshire professionals are happy to provide strategic advice and counsel as you seize this immense opportunity.

**Exhibit 3  
Practice Type  
Archetypes, 2023**

	 <b>Investment Planner</b>	 <b>Case-Based Planner</b>	 <b>Comprehensive Financial Planner</b>	 <b>Private Wealth Manager</b>
<b>Service Complexity</b>	<b>Money Management</b> →			<b>Comprehensive Financial Advice</b>
<b>Description</b>	Build basic portfolios and focus exclusively on asset management for nearly all clients	Provide modular issue-based planning with most clients. May emphasize asset management or financial planning as their value proposition	Develop complete financial plans with nearly all clients based on an extensive analysis of their goals, assets, and liabilities	Specialize in comprehensive wealth management with all clients
<b>Advice Provided to Clients</b>	Money management, basic financial advice	Investment management, targeted financial planning services such as retirement guidance and education funding	Investment management, a broad range of financial planning services including basic estate planning, insurance/risk, etc.	Complete suite of financial planning and investment services including charitable giving, stock option planning, and complex trust and estate planning
<b>% of All Industry Advisors</b>	7%	57%	26%	10%
<b>% of All Industry Assets</b>	9%	50%	23%	18%
<b>Average AUM per Practice (\$ millions)</b>	\$285	\$210	\$230	\$822
<b>Average Client Size</b>	\$600,000	\$562,500	\$642,857	\$1,818,182
<b>Core Market: % of HNW Clients (&gt;\$5 million)</b>	8%	7%	7%	37%
<b>Average Practice Headcount</b>	2.7	4.0	4.4	7.6
<b>% of Practices with Specialized Staff</b>	13%	21%	29%	52%
<b># of Planning Services Offered</b>	3.9	6.7	9.5	9.6

Source: Cerulli Associates | Analyst Note: Cerulli assesses practice types through a series of survey inputs on various criteria. Although Cerulli buckets advisors into distinct archetypes to display data, many advisors believe a blend of the archetypes more accurately represents their practice. Cerulli assigns each advisory practice a core market range based on the investable assets of the majority of the practice's client relationships. Specialized staff roles include paraplanners, investment research, marketing, or compliance.

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