5 thoughts about how to actually do what RIA experts say to do

by Guest Columnist Abby Salameh

Brooke's Note: Sometimes the world of advice to financial advisors is like a skipping vinyl record. The same lyrics, the same snippet of melody plays over and over without a turnaround note, a contextual refrain. It's the business version of advice like: Get a wife. Get a life. What exactly does that mean and how do I do it? Into that frustrating echo chamber steps Abby Salameh who gets your pain, gives answers and has a life.

You can lead an advisor to water. But why do they sometimes choose straight-from-the-tap instead of Perrier?

When it comes to practice management consulting there is often times a disconnect between the "coaching" or "consulting" — i.e. the thinking that is delivered or recommended — and the actual execution i.e. the doing of the recommended actions.

I have seen this squandering of knowledge happen time and time again. For example, think about a conference/workshop/webcast you recently attended. You may have walked away pumped up with some great ideas or some new approaches to running or growing your practice.

But lo and behold, you get back to your office and clients are calling, the lighting in the reception area is on the fritz and one of your servers is down. Long gone are the ideas and new approaches you received at that conference/workshop/web cast you just attended. See: The art of breathing: How to handle the overwhelm of being a financial advisor in 2012.

Putting the 'best' in 'practice'

Business consulting is a huge business. In the advisory space alone, there are millions spent on consulting a year, much of it from great firms like CEG, ActiFi Inc., Advisor Impact, The Ensemble Practice LLC, **Advisor Growth Strategies**, Cruz Consulting and many more. There are also practice management and business solutions teams at the larger custodians and broker-dealers.

So, why, with all of these services, are advisors not adopting more of these "best practices"?

It is my belief, based on years of working with and consulting with advisors, that in order for an advisor to execute a plan, they need simple, actionable steps with follow-up accountability. This holds true even for deploying many of the basic tactics that you see so often written about and so seldom understood or employed.

In an effort to make some of the more common “consulted on” topics easier to digest and implement, I have broken them down into easy to execute steps.

5 pieces of great advice for advisors that rarely get explained

1. Develop an elevator pitch

We often hear consultants say you should be able to communicate your value prop in seven seconds or less. The problem is that most advisors don’t know their value proposition and some that do might not know how to boil it down. I learned a simple exercise years ago that helps advisors out. I like to call it “The Mad Libs Elevator Pitch.”

Fill in the blanks:
____________(your firm) provides _____________(use an adjective) ______________(list the services you offer) to ______________(name your ideal client segment). We do this through _________________ (name your process) in order to enable our clients to _______________(verb).

2. Define your niche — if you have one

This happens to be one of my favorites. We so often hear consultants tell advisors to create a niche as a marketing or brand strategy. In fact, I just left the Barron’s top advisors conference and it was brought up again from the main stage during the opening session.

Now, it is one thing if you can identify a niche in your practice. If you notice a handful of clients that each meet the same criteria (physicians, CEOs, women) or if you have a specific technical proficiency (transfer of wealth, divorces, ex-pats), then it makes sense to tailor your marketing materials, websites, seminars, events and all other marketing efforts on that specific niche and to target that ideal client and turn other prospective clients away. Only by doing this will you really start to be known in your local communities as an expert in that specific area. See: 10 reasons for advisors to just say no to less-than-ideal clients.

But, what happens if you don’t have a niche? I know so many advisors who built their business with absolutely no niche or client commonalities. If this is your case, then don’t spin your wheels trying to find a niche. This strategy is not the one for you!

3. Build a good website

It seems like logical enough guidance, but “good” is a relative term so here are some critical components and easy steps with which to create your digital storefront.

- Use a third-party vendor that is already integrated with your compliance system. This will allow streamlined review and approval process. There are many decent vendors who do a good job at advisor websites. Emerald, Forefield Advisor and Advisor Square come to mind. See: 5 ways for stressed-out advisors to build a more efficient practice.

- Spend the extra money to get a customized template built through one of these third-party vendors. You don't want your website to look canned, cookie cutter or like the advisor down the block.

- Make your website engaging. Gone are the days of static content and one dimensional pictures. Use video, blogging, leverage and third-party content aggregators like Summly or Vestorly Inc. to provide timely and relevant content on your site and always have links to you social sites (that's another topic altogether). See: How one firm is supposedly cracking the lead generation code to the tune of 50,000 advisors supplied — by, for now, not trying to create referrals.

- Most importantly — someone needs to own the website in your office. There should be a dedicated resource managing, writing, uploading and reviewing the website on a weekly basis. Don't think that just because you built a beautiful new website, the task is done. It's a constant job of maintenance and evolution. See: Review: Morningstar Office's web-based platform combines research, advisor tools.

4. Use performance-based incentive plans

I am always amazed at the incentive plans I see in advisors' offices. Commonly, an advisor may have started off using a benchmark salary for an employee but then over time, gave the employee a raise every year based on some arbitrary number and a bonus to match.

Before the advisor knows it, the compensation culture becomes one of entitlement and expectations on the part of the employees. Not to mention the compounding effect of raises and bonuses year after year. Before you know it, in five years your $40K admin is making $55K. So, how do you turn it around? See: How I advise advisors to run an advisory business from my pulpit.

- First, make sure you have an organizational structure. Don't put an org chart together using your employees and what they are currently doing. Think about how you want the firm structured in an ideal world and create a true box chart of what you envision the firm staffing to look like.

- Next, create job descriptions for each of the "roles" you outlined in your org chart. Be clear in defining the exact job and what that person will be responsible for. These metrics (or responsibilities) will be what the employee will be measured on. Their bonus and raises will be dependent upon how well they perform the defined functions. Be specific in explaining the responsibilities. For instance, instead of "opening all new accounts," have the metric be “opening all new accounts without any NIGOs and a clear communication and process with client through the CRM.” Roles are easier to measure if they are specific.

- Conduct performance reviews at least twice a year. You must evaluate how well an employee is doing at his or her job. By conducting a review mid-year, there’s still time for the employee to improve in areas that may need some work. At the end of the year, you can base the employee’s bonus and raise on quantitative measures that have been clearly defined. (for instance, a target bonus might be 15% of salary. If the employee only succeeded in doing his or her job well 75% of the time, you would pay a bonus that is equal to 75% of that target 15%).

Changing your compensation plans to a performance-driven model rewards hard workers and also protects your firm from any potential legal action in the event you need to fire someone down the road.

5. Have a succession plan

It’s true — 75% of advisors do not have a succession plan. That’s an amazing number considering advisors are an aging population. So, what can you do about it?

For starters, at least have a contingency plan. What happens if you got hit by a bus tomorrow? Would your family and your clients be taken care of? If you have multiple partners you should have a buy-sell agreement in place with a partner. Typically this is funded through life insurance and guarantees a certain payment to your beneficiary. See: Have an aversion to succession plans? Consider a continuity pact as a vital baby step.

If you’re a sole practitioner, you should be looking to enter into a buy-sell with another sole practitioner. If you don’t know any, your broker-dealer or custodian may play a role in match making. At Private Advisor Group, we launched our own AdvisorProtectionProgram this year, which pays any of our advisor’s beneficiaries two times their advisory revenue should they die if the advisor enters into a buy-sell agreement with us. And we promise to serve their clients or move them to another one of our advisors in the same geographic area with a similar business philosophy. See: Nine threats to the RIA business and how they can be avoided.

A true succession plan takes more thought.

- First, you need a business plan. This way you know what you are trying to build and can visualize the future of the firm and when/how you may want to wind down eventually. See: The top 10 deepest fears — and highest hopes — of RIA practitioners.

- You then need a strategic plan. This will outline a timeline of how you will achieve that business plan.

- Communicate that vision and strategy to your employees so they know where the firm is heading.

- Have evaluation performed so you know the true value of your business right now. See: Bob Veres' level-headed response to Mark Hurley on valuation.

- Implement the first step. Whether that means bringing on a junior advisor, figuring out how to bring key younger employees in as partners through grants of equity, financing to buy-in or other partnership plans. Or bring in an intern and groom him or her from the ground up. Start now. See: Two Silicon Valley RIAs marry their practices to lay the groundwork for succession.

So many advisors believe that when they are ready, someone will just be ready to buy their business for a 2X multiple. The truth is that the older you get and the older your clients get, the valuation of your business will continue to go down. You need to bring in a younger generation of advisors to work with and eventually bring on the younger generation of clients. It imperative to the perpetuity of your business and your own eventual retirement. See: Tim Kochis retires, months earlier than scheduled, but also years later than planned.

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