

# Insider's Secrets: What the Best in the Business *Don't* Want You to Know

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**W**hat if you woke up one morning and everything in your world of business had changed? What if the “way we’ve always done it” didn’t work anymore? What if advertising didn’t work like it used to, and marketing calls were met with hostility and clients were more and more demanding? When we looked around at other people who do the same work, what would we see?

- They’d be rushing around working doing more and more of the same old things but getting fewer and fewer results.
- New client growth rates would have fallen off dramatically, and revenues would be flat or dropping.
- Companies and consultants would be pounding the table about “work ethic” and “commitment”, and offering a hundred different ways to do the same things that used to work.
- Here and there, spread through the many different solutions being suggested there would be one or two really good ideas, but they would require making some significant changes and learning some complicated subjects.
- Instead of a feeling of progress and improvement there would be a feeling of concern and urgency – leadership would turn over frequently and new ideas would be pumped out as fast as possible.
- Ask a colleague to sum up the situation and you’ll hear: “Never enough time – and never enough clients!”

Sound familiar? Even without researching and analyzing our industry closely we can tell that something has changed and many things just aren’t working like they used to. Unfortunately, when industries like ours grow up, they put people through wrenching and changes, but they don’t happen over night. They sneak up on us slowly, and we wake up one day to find ourselves working harder and harder for less and less *and not at all sure what we should do about it.*

When facing a problem or challenge it is our human nature to do the same thing we’ve always done, only harder or more. Eventually and inevitably “more and harder” stops working, and success can only be achieved by doing things differently.

## How did we get here?

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**F**our simple observations explain what is happening to us, and help us understand what we need to do. We didn't just wake up one morning to a world that has changed; our market has been changing for the past 25 years in a predictable and powerful way. It is just now that we are able to see those changes in the way our clients are thinking and behaving.

Observation #1 – The Baby Boomers have been driving growth for the past 25 years. Starting in 1981 the first Baby Boomers turned 35, and for the next 19 years a larger and larger number of new investors entered the marketplace for the first time every year. Today, the first Baby Boomers are turning 60 and starting to draw on their investments.

Observation #2 – The Financial Services industry grew rapidly in response to the opportunity presented by the Baby Boomers. In 1991 NASD reported 406,000 Registered Representatives. This grew to a peak of 674,000 Reps in 2001 and has dropped slightly over the past 5 years to 655,832 in 2005. It is important to look at the last 5 years of this trend before considering observation #3:

Observation #3 – The Financial Services industry has successfully **over-penetrated** the marketplace, with the results of consuming all of the available “unattached” investors. Mutual fund ownership in the United States peaked in 2001 when 52.0% of the families in this country were investing in some type of mutual fund. Rates have been dropping or flat ever since.

These two trends – the slowing and flattening of the mutual fund ownership rate and the slowing and flattening of the number of NASD Registered Reps – help to make sense of the increasing difficulty FAs are having in attracting new clients to their practice.

Observation #4 – And these trends represent a much greater challenge to business growth than might first appear, because they do not take into account the actual distribution of wealth in the United States:

- 39% of the wealth belongs to **1% of the population.**
- 46% of the wealth belongs to **19% of the population.**
- The remaining 80% of the population owns only **15% of the wealth.**

To penetrate beyond 20% of the population means expending more and more effort for smaller and smaller results.

## What's next?

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**F**ortunately, even though these trends indicate a serious challenge to growing a financial advisory practice, there is good news.

First, simply by understanding that our business has changed and we are no longer in the “brute force marketing” business allows us to let go of ineffective practices and employ new client

acquisition and practice management models. We are now in the business of competing for more sophisticated investors who already engage one or more advisors. This basic insight about where future growth will come from drives a host of practical possibilities for competing more effectively.

And there's more good news: other trends have been developing that provide guidance about what kinds of services and approaches appeal to maturing investors.

- There is growing evidence that, as Baby Boomers get closer to the end of their working lives and their retirement becomes “real”, they are likely to think about changing to a new advisor.
- As information has exploded and choices increased the advice and services of technical experts has become more valued. Our culture is transitioning from a “do it yourself” mentality to an appreciation of the value of “the trusted advisor”.
- Our industry is making significant, positive changes in response to the challenges we are facing. New planning, contact management, communication and information management tools are being developed and deployed. As our tools mature our ability to meet client needs more effectively and efficiently improves (provided we are willing to learn how to use them)!
- The top 20% of the people in our culture (the ones who control 85% of the wealth) are becoming better educated about the principles of investing and the qualities they expect from their trusted advisors. For those FAs who resolve to build a client-focused practice, this trend will lead to a positive response to the practice by more sophisticated consumers.

## Now, the bad news...

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**W**hile there is good reason to be optimistic about the future of our business, there are also trends developing that we must remain aware of. These represent significant challenges to the traditional way of doing business in our industry. There are 5 major trends that we must plan to address in our business models – and one key insight that will drive those efforts:

- Fees for our services will continue to compress. Tomorrow's FA must be prepared to generate less income from each client-dollar. This translates into two, primary strategies that need to be installed for a practice to succeed: process efficiencies and larger client relationships.
- Clients will demand more from their advisors. As we explore Baby Boomer psychology more deeply we will see that the successful advisory practice of the future will concentrate on creating a powerful, engaging and customized experience for each client.
- Response potential to marketing messaging will continue to decline. Across our culture every form of advertising is seeing a significant decrease in effectiveness. .
- Requirements for learning new processes and tools will continue to accelerate. The growing number of effective new tools being developed in our industry means a

constant challenge in two parts: first, *which tool* shall I learn to use? And, second, *how much time* will it take to learn it. .

- In spite of the flat growth curve of new Registered Reps over the past 5 years, competition will continue to increase. First, because new advisors are entering the business every year to replace those who are retiring. These people have few burdens of existing clients to manage, and so can concentrate on full-time outreach. These people are also in a position to master the newest and most effective tool-set available. Second, existing advisors are increasingly frustrated with flat or declining revenues, and existing management is increasingly being incentivised to drive meaningful growth.

One key insight grows out of all of these observations and trend analysis: *your future success will be built on your ability to focus on the right information and execute the right strategies.*

Your ability to compete in an increasingly cluttered and competitive marketplace and your ability to attract new clients who are increasingly more sophisticated will require you to do things differently. The challenge facing all of us is **knowing what things, specifically, we should be doing!**

## What the Best in the Business *Don't* Want You to Know

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One of the notable traits of unusually successful business people is their tendency to adapt to change circumstances *quickly*. Anticipating changes in the marketplace is one thing, but engineering a practice that delivers on target to the needs and desires of highly successful people is another. A few financial advisors, spread here and there across the country, have been paying attention, anticipating needs and making strategic changes in their businesses. Here are five practice strategies that are common to the unusually successful FAs we have studied (TBITB – “The Best in the Business”):

- **Effective communication is priority one.** Everything about the practice is organized around meaningful communication and education. Rather than waiting for clients to call in with concerns or requests, TBITB maintain an aggressive communication discipline with clients, prospective clients and referral relationships.
- **Quality, not quantity, is the key to success.** TBITB pay close attention to the quality and productivity of each client relationship. In simple terms, TBITB intentionally build their practices with fewer clients who bring larger pools of assets to manage.
- **It's easy to learn about the unique value of the practice.** The typical Financial Advisor talks about his or her practice in general terms, using “buzz words” or professional jargon. TBITB know that outreach messaging must be specific, compelling and relevant and it must be easy for a prospective client to find out more about what the advisor is able to do for them.

- **The full value of the practice is clearly articulated – and appreciated by the clients who are served.** TBITB are focused on the long-term relationship, on the full engagement with the client and on insuring that the client fully appreciates the value of the services that are being delivered.
- **Creating a high-quality and meaningful relationship is the first, and most important task, of the practice.** TBITB share a common focus on appealing to the individual needs and preferences of their clients.

## What's possible when you do this?

**T**hese practice strategies, growing out of an awareness of the particular needs of the Baby Boomer generation, are driving unusual success in a handful of specialized advisory practices. What is interesting to observe is that the platforms and business models can be vastly different from each other, but the results can be equally powerful *provided these common characteristics are employed:*

- Did you know that in one national discount brokerage house there are over 35 FAs who each bring in over \$75 million in new retail assets annually? Not all of the advisors in this model generate these results, but the few who do are consistently receiving high-quality referrals throughout the year.
- Did you know that in one national asset-management firm there are over 30 FAs who each bring in over \$100 million in new retail assets annually? In this model an FA with 7 or more years of service is *expected* to generate this level of new business every year.

And these are just two examples of TBITB who have engineered their practices to be uniquely appealing to the Baby Boomer generation. The platforms are different, the value propositions they offer the market are different, the business models of their respective firms are different, but the new client acquisition results are similar. Dozens of uniquely successful people find their way to these advisors every year, driving a robust and predictable growth curve for these practices.

**What is the engine driving this success? Contact ClientWISE for a complete version of this white paper and learn more about what the best in the business don't want you to know.**