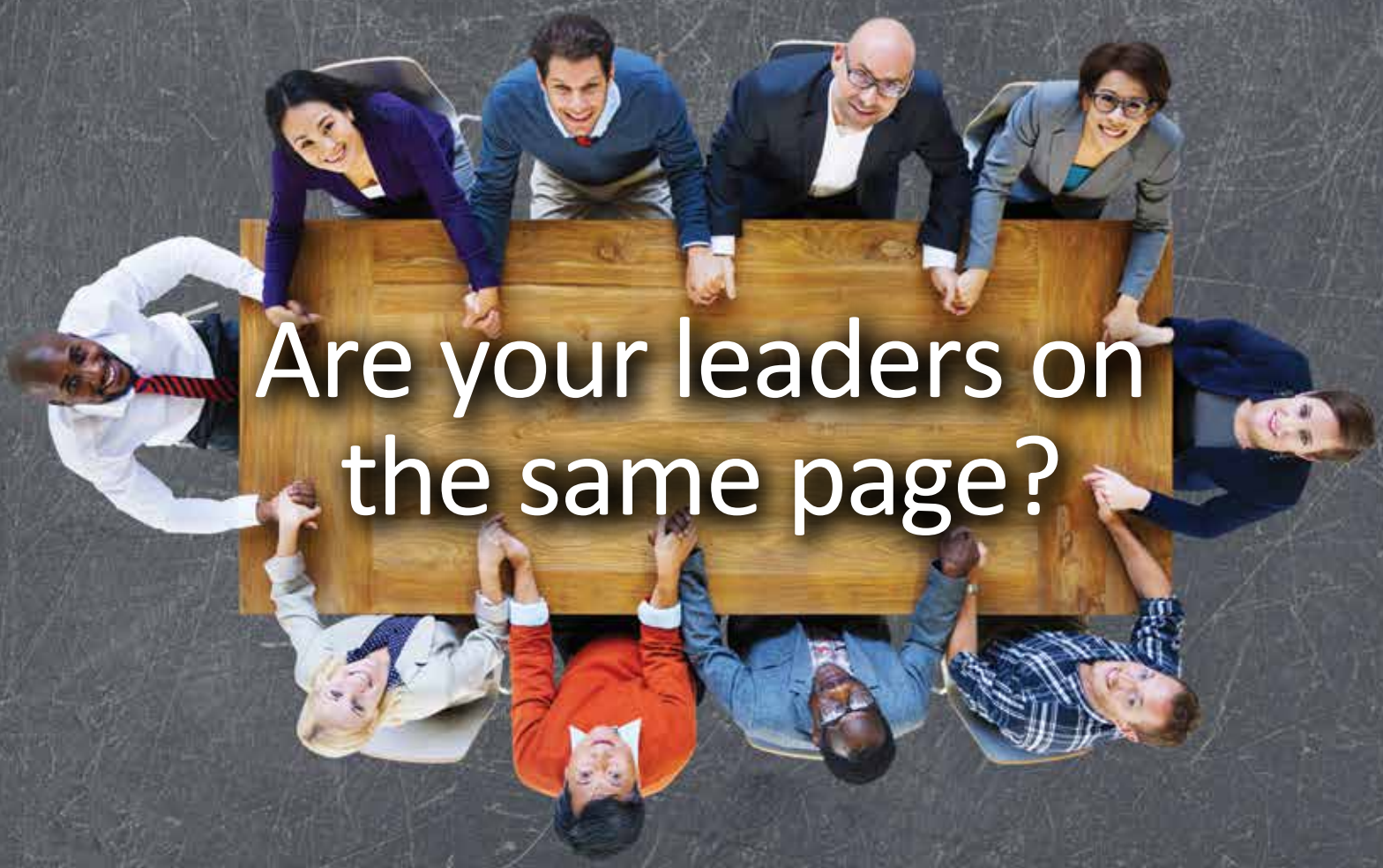
NAPFA ADVISOR

The Art and Science of the Fee-Only Practice

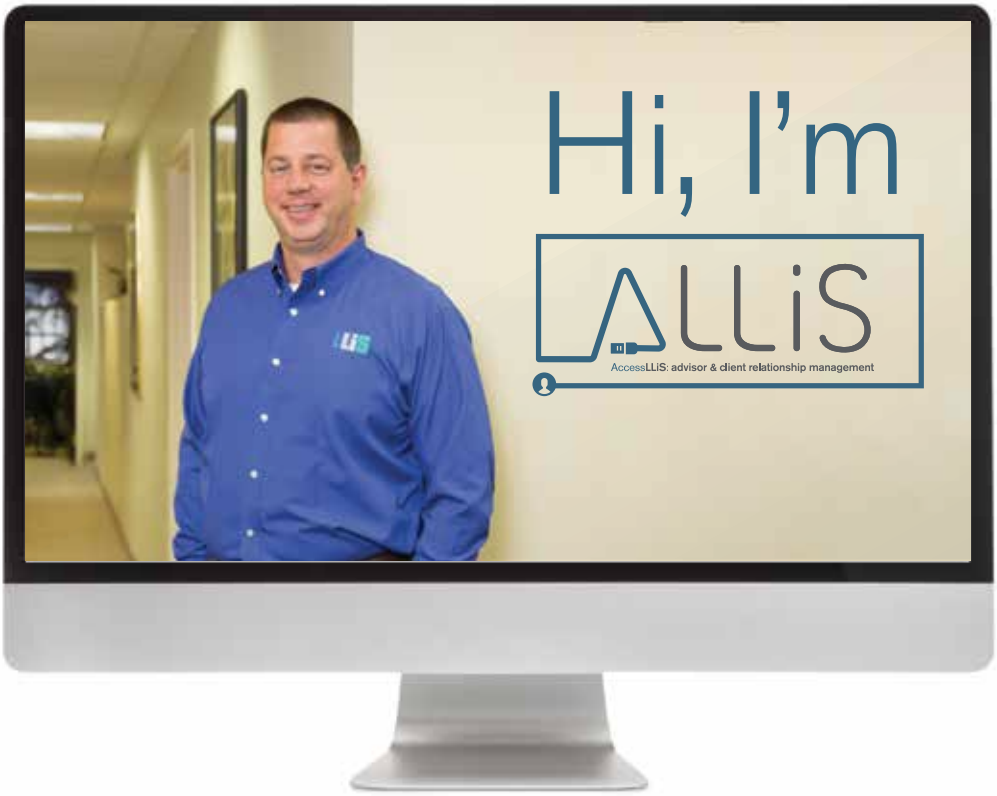
January 2018



Are your leaders on the same page?

Also:

- Managing an advisory firm like an industry-leading 'Super Ensemble'
- Four mistakes to avoid with your talent
- Less is more: financial minimalism



I'm both high tech and high touch. I'm the secure system behind teamLLIS. I'm also the face you see here. I'll provide you with 24/7/365 dashboard views of your clients' application updates and policies. Here's more about how you and I will work well together.

As LLIS's annuity and hybrid/asset based care solutions specialist, I work with advisors to find solutions (low-load whenever possible) that will help secure clients' futures as they near retirement, provide guaranteed income, let them (and you) focus on the long term and define their retirement their way, and give clients peace of mind. How will ALLiS make our work easier and more efficient?

- More detailed health information up front will result in more accurate quotes and less interruptions to your clients' lives
- We'll see all communications about a client in one place (no more searching through emails)
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Jerry Skapyak

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From the Editor

Finding authors for the *Advisor*

One of the biggest challenges for this magazine is finding article ideas and authors who will write interesting stories without getting paid. It's quite different from my job as an editor for a weekly trade publication. Back then, I had staff writers pitching ideas to me. They were in big trouble if they couldn't meet their quota of two or three articles a week. But they were committed because writing articles was their main job, not a task they needed to squeeze in with other, higher priorities.

Finding ideas means keeping my eyes open at NAPFA's two national conferences, the NAPFA study group that meets one suburb over from me, and the Engage forum. It also means looking for ideas as I read financial and business publications. In other cases, I start with an author and develop ideas with her or him.

Here's where some of this issue's articles originated.

- Jill Young, author of "Are your leaders on the same page?" was recommended to me by member Dennis Stearns, who saw her present to a NAPFA study group.
- Brandon O'Dell's "Managing an advisory firm like an industry-leading 'Super Ensemble'" spins off from his presentation at the Spring Conference.
- Ani Yessaillian, author of "Four mistakes to avoid with your talent" is someone whom I've known for seven years from my activity in Boston's investment marketing community.
- John Pak's "Less is more: financial minimalism" originated with the magazine's assistant editor saying that one of John's quotes in Brian Thompson's "Efficient Planner" column could be an interesting article topic.
- Rick Kahler's "Can Holacratic decision making help your advisory firm?" started with my reading one of his blog posts and wondering how this unusual method of decision making could work.
- David Grau Sr., author of "Mergers: an opportunity to reshape your future," is a well-known industry figure.

As you can see, the magazine relies heavily on members who value the opportunity to contribute to the NAPFA community, as well as non-members who seek exposure to this community. I am grateful for all of the members and NAPFA supporters who contribute their ideas and articles. Keep your ideas and articles coming!

If you're not an idea person or a writer, and you receive NAPFA's press request emails, you can contribute by participating in one of the magazine's surveys. Next month you'll see a survey-based article on podcasting. I got the idea for the survey from an email exchange with former board member and podcaster Roger Pine. These serendipitous exchanges are one of the many fun aspects of editing this magazine. I enjoy learning from you and your colleagues. I hope you're enjoying learning along with me.

-Susan

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Inside this Issue

Put your firm's leaders on the same page to create a business that is under control, is profitable, and supports your desire to pursue other passions. Part of what's required is creating specific responsibilities for each partner. Key roles include sales leader, operations leader, finance leader, integrator, and visionary.

"Are your leaders on the same page?" starts on page 12.

Super Ensembles are large, fast-growing, and highly productive. They grow as fast as smaller firms, even though they're handicapped by starting from a larger base in a profession that offers few economies of scale. Even smaller firms can learn from the techniques that large firms use to maximize their investment in people.

"Managing an advisory firm like an industry-leading 'Super Ensemble'" starts on page 14.

Practice makes perfect, and that applies to hiring wisely and cultivating the talent on your financial advisory firm's team. You can improve your hiring and management practices by becoming familiar with four common mistakes and how to fix them.

"Four mistakes to avoid with your talent" starts on page 18.

NAPFA ADVISOR MAGAZINE

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Scott Beaudin, NAPFA Chair

Get more than you give

You have probably heard the phrase "when you volunteer at NAPFA, you get more out of it than you put into it." I have heard this many times from many people, and I believe it to be true.

I only recently considered why you get so much out of volunteering. Nearly all NAPFA volunteer roles involve working with other Fee-Only planners from around the country. In a long-standing NAPFA tradition, most members are open books about how they operate their businesses. And, in another long-standing NAPFA tradition, those who are active in NAPFA are often remarkable people who have found success in many areas of their lives. You probably get where I am going with this. By volunteering, you get lots of opportunities to meet other planners and share ideas. When working together as NAPFA volunteers, you'll find opportunities for side conversations about whatever you might need help with.

I almost never leave a NAPFA volunteer experience without picking someone's brain about something our firm is working on. I call this NAPFA consulting. These impromptu collaborations have contributed meaningfully to both my professional and business growth. The value of all of this free consulting must amount to many tens of thousands of dollars. Our firm in a small town of 50,000 people has grown from one person and $1 of AUM in 2002 to nine people and $500 million in AUM today. I attribute nearly all of this success to my active involvement with NAPFA.

I sometimes hear people say that they don't have time to volunteer. Clearly, they're thinking of volunteering as a one-way street of providing service to the organization, with the ROI measured only in units of altruism. I encourage you to reframe your thinking: It's not only your opportunity to serve your profession and your fellow members, but also an opportunity for professional and practice development.

There are many types of volunteer opportunities at the regional and national level. Some volunteer opportunities involve traditional term commitments, such as serving a three-year term on a standing committee, while other roles are shorter in duration, such as serving on a conference program committee. If you are interested in becoming active but unsure how, feel free to reach out to Nikki Palluzzi at NAPFA, or drop me a line at sbeaudin@pathwayadvisors.com. There is usually an opportunity to connect you with an area that interests you.

Being active doesn't always involve volunteering. Attending symposiums, and conferences are also great ways to tap into NAPFA consulting. You might also consider joining a study group or forming a MIX group. The key is to get yourself in the room or on the phone with other NAPFA members, and let the questions fly. You may be reading this column as yet another "volunteer solicitation." While it is indeed that, I hope that you will consider allowing NAPFA service to supercharge your own success.

NAPFA'S Mission Statement

We provide networking opportunities, education, business development, and advocacy to promote the professional success of Fee-Only, comprehensive financial advisors.

Core Values

- **Competency:** Requiring the highest standards of proficiency in the industry.
- **Commitment:** Practicing a holistic approach to financial planning.
- **Compensation:** Using a model that facilitates objective advice.
- **Client-Centered:** Dedicated to a fiduciary relationship, which ensures the client's interests are first.
- **Complete Disclosure:** Providing an explanation of fees and potential conflicts of interest

Vision

The public recognizes that NAPFA advocates the highest standards for personal financial planning and that NAPFA-Registered Financial Advisors are the trusted advisors of choice.

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KEEPING UP WITH NAPFA

NAPFA members among *InvestmentNews* Women to Watch

Peggy Ruhlin has won the Alexandra Armstrong Award for Lifetime Achievement in Financial Planning from *InvestmentNews*. The award highlighted her role in the merger of the Institute of Certified Financial Planners and the International Association for Financial Planning to form the Financial Planning Association, as well as "her long, successful career as an adviser, her track record of leadership in the field, [and] her demonstrated commitment to serve as a role model/mentor to other women."

Rianka Dorsainvil won the Rising Star Award, while Susan John and Debra Wetherby were named Women to Watch.

NCEF collaborating with Savvy Ladies

The NAPFA Consumer Education Foundation has identified an opportunity for members to deliver financial advice on a pro bono basis. Savvy Ladies, founded by NAPFA member Stacy Francis, provides personal financial education and resources for women. Its programs include the Savvy Ladies Helpline that allows women to speak with a financial expert about their questions. A minimum commitment of one hour monthly is required of volunteers. To learn more, visit savvyladies.org or contact Executive Director Lisa Ernst at 646-216-8988.

West Region seeks advisors to speak at colleges

Interested in speaking to college students about NAPFA and how you got started in the profession? Contact the West Region's Academic Outreach Director John Wenzel at john@archvestwa.com to learn about opportunities.

South Region Symposium, Feb. 11–12

The South Region's 2018 Fall Symposium will kick off with a pre-conference event at the Hudson Grille in Atlanta on Feb. 11. On Feb. 12, the conference will be held at the Georgia Tech Hotel & Conference Center in Atlanta. Simulcasts will be available in three locations for those who can't attend in person. Jan. 22 was the deadline to book a room at special NAPFA pricing, but you may still be able to snare a room at gatechhotel.com.

Northeast/Mid-Atlantic Region Symposium, March 18–19

The Northeast/Mid-Atlantic Region Symposium will be held at Le Meridien Hotel in Philadelphia. It will kick off on the evening of Sunday, March 18, with an ethics class presented by Brett Danko, followed by a networking session. The full-day symposium on Monday, March 19, will include Dan Allison of Feedback Marketing speaking about referrals.

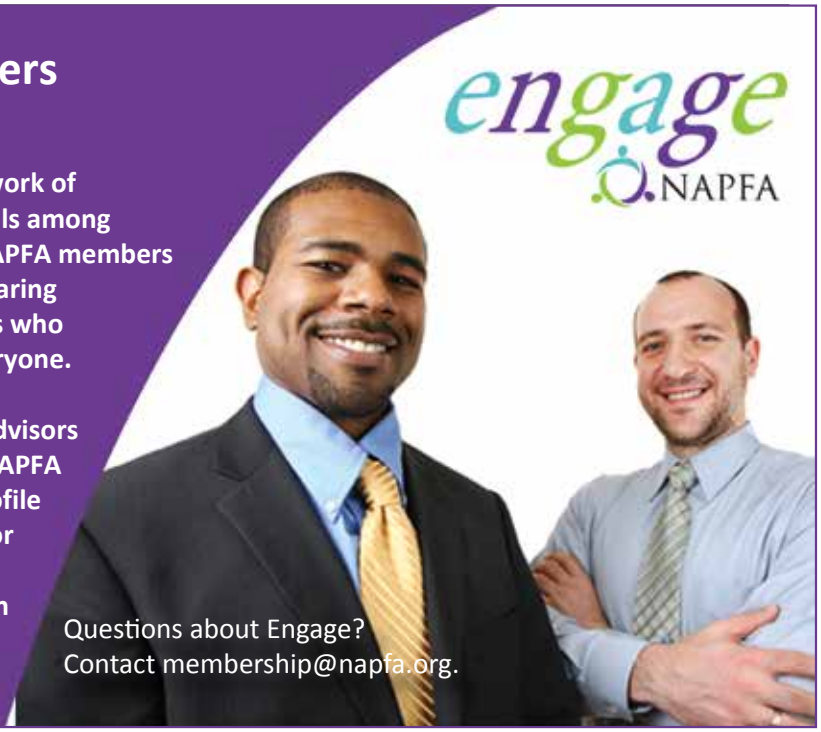
Midwest Region Symposium

The Midwest Regional Symposium will be held March 6–7 at the Ritz-Carlton in St. Louis. Speakers will include Larry Swedroe of the BAM Alliance. The event kicks off with a reception on March 6, followed by the symposium program on March 7. The Early Bird deadline is Feb. 9, so act now!

Connect with NAPFA Members on NAPFA Engage

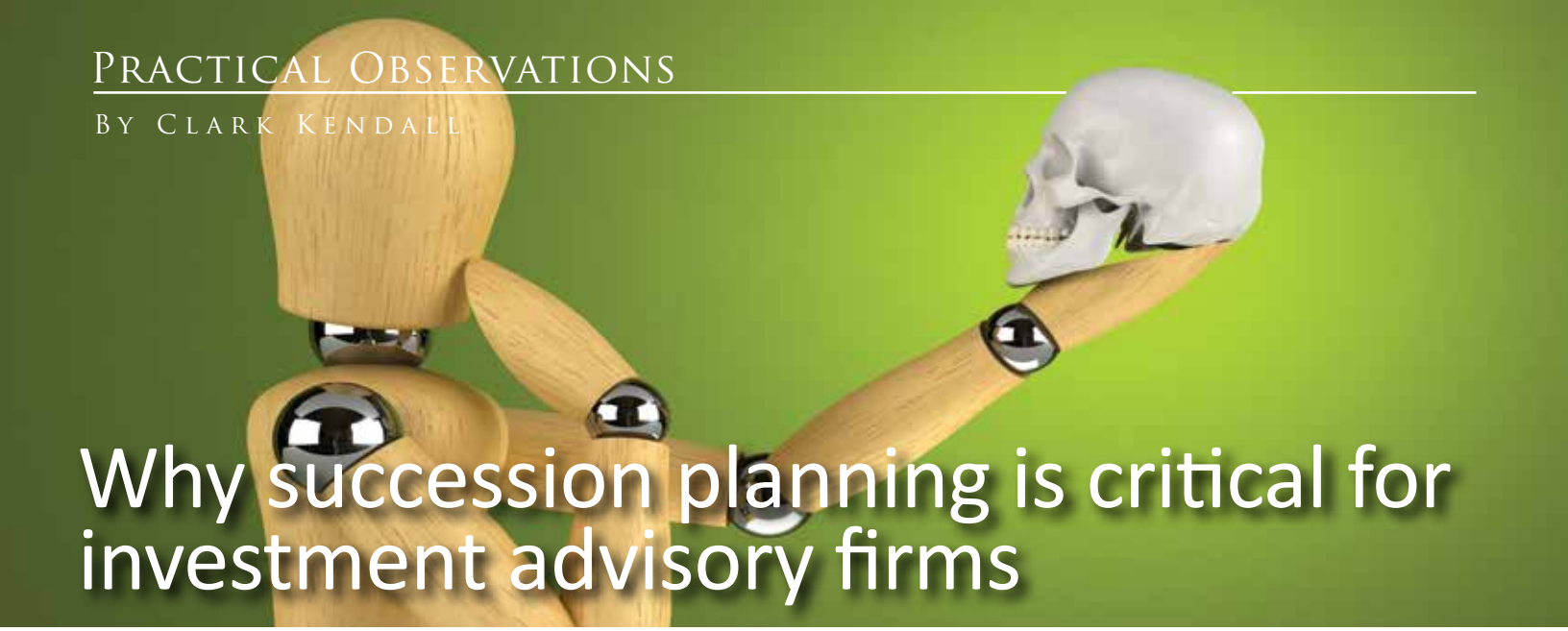
The thought leadership, experience, and network of knowledgeable financial planning professionals among NAPFA members is unrivaled. Hundreds of NAPFA members are already using NAPFA Engage for online sharing and networking. Are you? The more members who participate, the better the experience for everyone.

Take advantage of the network of Fee-Only advisors available to you! Visit NAPFA.org and click "NAPFA Engage" at the top of the page. Once your profile is set, join the discussion. Browse by subject or visit one of the four NAPFA communities to share ideas, best practices, and resources with other advisors within similar practices.



Questions about Engage?
Contact membership@napfa.org.

By Clark Kendall



Why succession planning is critical for investment advisory firms

Nobody likes to think about their own mortality. But as the owner of an investment advisory firm, you have a responsibility to plan for what would happen to your firm if you were ever hit by the proverbial bus.

Without a succession plan in place, the future of your firm could be in jeopardy should you die unexpectedly. Failing to plan for succession could also place your family at financial risk, not to mention the families of employees who may have to scramble to pick up the pieces in your absence and, of course, your clients.

My succession planning story

I started Kendall Capital Management in 2005 with a desk, telephone, and Rolodex. By 2010, the firm had grown to approximately $50 million in assets under management. Since then, it has grown about six percent per quarter, and we currently manage more than $225 million in AUM.

In my opinion, investment advisory firms generally do not possess tremendous value to an outside investor until they reach at least $100 million in AUM. At firms smaller than this, the owner handles most of the sales and account servicing duties, so there typically isn't a large infrastructure. Without that infrastructure, succession planning usually isn't critical.

When Kendall Capital Management reached $200 million AUM, I decided it was time to get serious about succession planning. Before then, I had purchased life insurance to provide financial protection for my wife and four children should I die unexpectedly. However, at $200 million AUM and five employees, I felt it was time to take succession planning to the next level.

So, I decided to develop my "What if Clark is hit by a bus" strategy and succession plan. The following is some of the thought process that went into my plan, along with a description of how the plan is structured.

Ensuring financial security and ongoing operations

For starters, I wanted to ensure financial protection for my family in the event of my untimely death. This included planning so that my wife would not have to own and manage Kendall Capital Management, which she has no interest in doing.

It was also important to plan for the ongoing operation of the firm to provide security for our five loyal and hard-working employees. Many of them have families of their own, so I feel a strong responsibility to do everything I can to help ensure that the firm will continue running smoothly in my absence.

At the same time, though, I want to remain the sole owner of the firm. This provides the flexibility that is critical to the firm's continued growth and success, since it allows me to continue making decisions that will increase the value of the firm. For example, if I believe that moving our offices, upgrading our computers, or spending more money on marketing is warranted, I can make these decisions. And I can use my own money to invest in these long-term benefits that will allow the firm to carry out our mission of "Serving Middle Class Millionaires."

How the plan is structured

In 2017, I began working with an attorney to create a succession plan for Kendall Capital Management that would accomplish my goals. The plan is structured as follows.

If I die unexpectedly while I am still the sole owner of the firm, the two key employees of Kendall Capital Management will each receive a 10 percent stock option for an ownership stake in the business. In addition, they will have the first right of purchase to acquire the remaining 80 percent ownership, which will be owned by my estate.

It's my hope that they will exercise this right of purchase. But, if for some reason they choose not to, I have provided them with a list of other investment advisory firms that might be willing to buy the remaining shares. Either way, ongoing business operations are assured with a minimum of disruption to the firm, our employees, and their families.

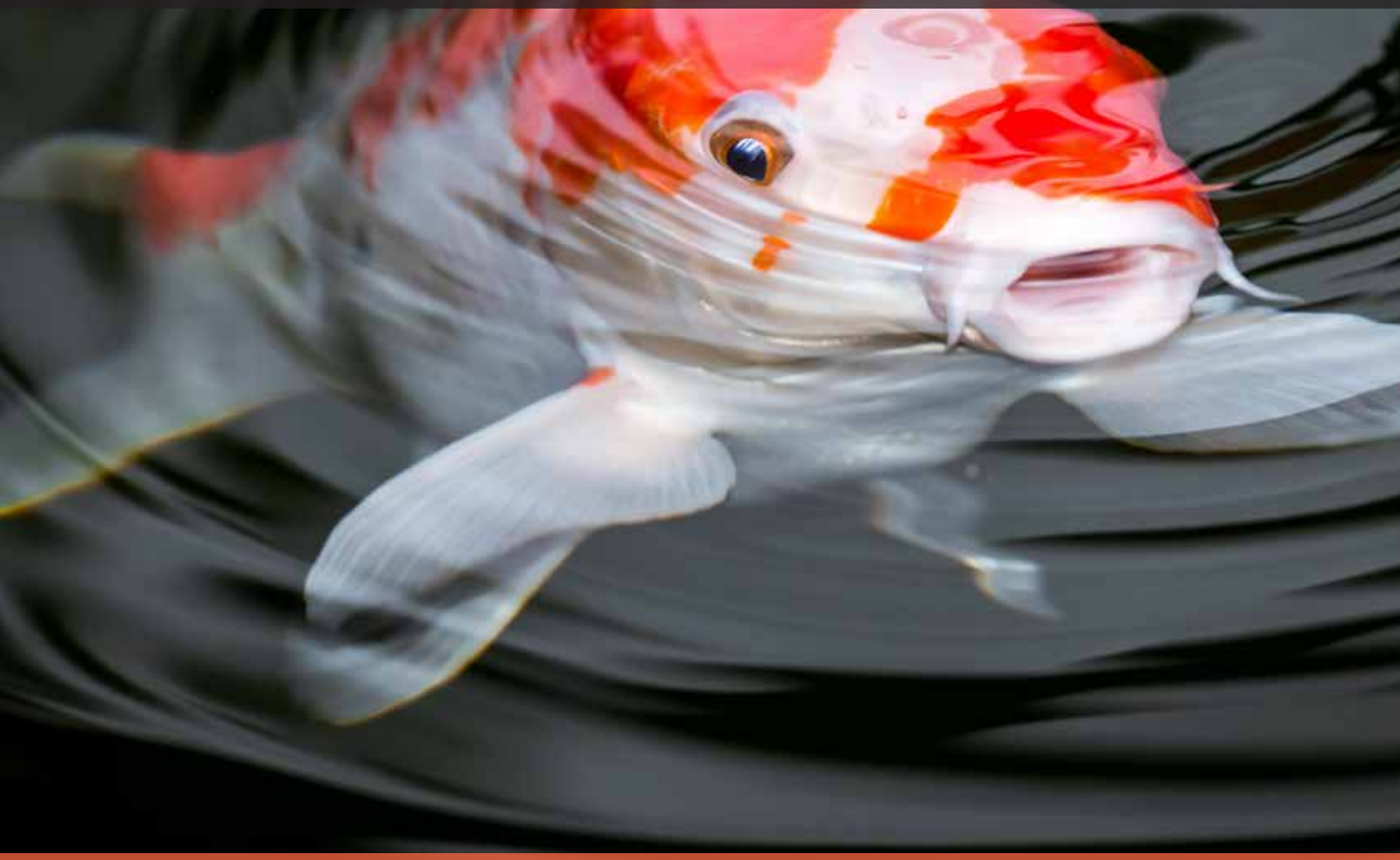
Bringing everyone together

Let's be clear: I don't plan to die anytime soon! But with a comprehensive and well-thought-out succession plan in place, I can rest assured that my key employees and my spouse would be sitting on the same side of the table if something unexpected were to happen to me.

I hope this will encourage you to think about succession planning at your firm if you haven't yet. And more importantly, I hope you'll sit down with an attorney and draft a succession plan for your firm.

Clark Kendall, CFP®, CFA, AEP®, is the president and founder of Kendall Capital Management, Inc. in Rockville, MD.

AssetBook Makes You Feel Like a Big Fish in a Small Pond



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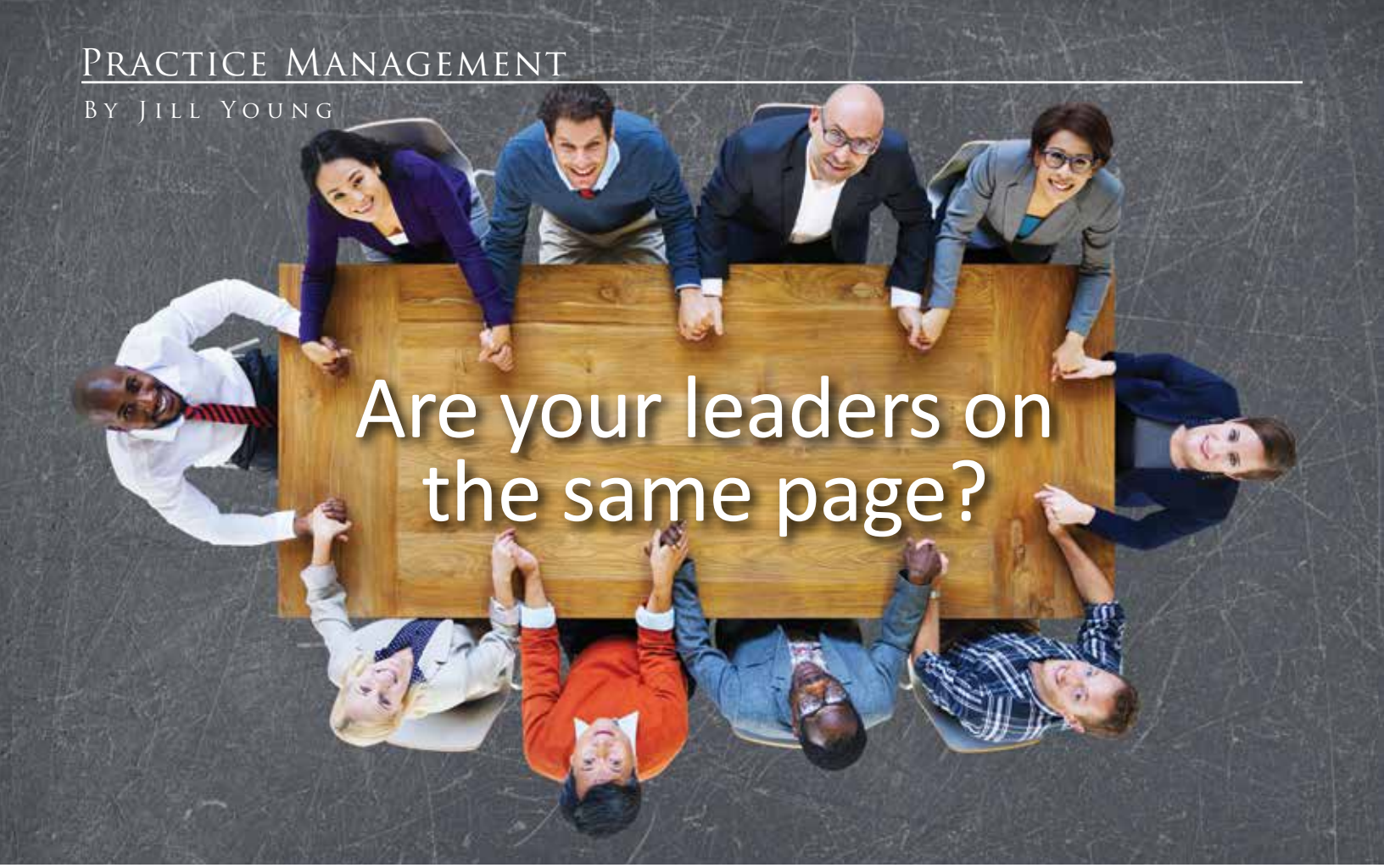
By Jill Young



Are your leaders on the same page?

You are incredibly smart. In fact, I think you are most likely a genius. You've created a name for yourself, your clients love you, you have mastered the industry, and you help your clients plan for their future. Other advisors have made the effort to live under your umbrella, to attach themselves to your reputation. Some of these advisors are also "partners," sharing in the equity and risk of the firm you've built. You've hired a great support staff that is friendly, dedicated, and helpful. People in your community are noticing you, sending referrals to you, and awarding you: business is good.

So why can't you sleep at night? In my experience as a coach to wealth advisory firms and other entrepreneurs, this is because you've created a job for yourself (and others) instead of building a business. Gathering a team of well-intentioned, passionate individuals is a great start, but you are dreaming of a well-oiled machine—a business that is under control, is profitable, and supports your desire to pursue other passions.

NAPFA member Rick Brooks of Blankinship & Foster experienced this feeling of disorder in his company. "Like many financial planners, we survived the early years and grew into a medium-sized ensemble business. The challenge for us has been taking it to the next level. When everybody's working hard on their own priorities, it can be difficult to ensure that we're all pulling in the same direction," he says.

Most team leaders want to move beyond a static, founder-oriented practice and create a long-term, viable business. Brooks says that the difference between a comfortable lifestyle practice and a sustainable business you can pass along or sell is "the system you build around your day-to-day processes, and how well that system could survive the departure of the founder."

You can start a journey toward a more orderly, sustainable, and cooperative team by getting your partners on the same page with you. Consider the following alignment-promoting strategies.

Set aside time to work ON the business

You've probably heard this piece of advice before: set aside a day to talk about the business, to work ON the business instead of IN the business. But it really works. Most partners are so busy working with clients that they see working ON the business as a luxury or an afterthought. Mark a day on the calendar to gather the partners in a room with a whiteboard.

Plan that day carefully. Consider having only two items on the agenda. First, ask, "What do we want our company to look like in three years?" Discuss topics like growth rate, technology, client mix, reputation, how many employees are needed, and investment philosophy. Second, ask each team member, "What do you want your life to look like in three years?" Encourage your team members to drop their egos (you do the same!) and really think about what contribution they want to be making to the firm. Share your ideas with your partners and ask them to share as well. Avoid the urge to just say what you think everyone wants to hear. During these meetings, ask thoughtful questions of your team and start to make a list of things you already agree on.

To keep his team on the same page, SYM Financial Advisors' Rod Coleman put this type of meeting into his leadership team's weekly schedule. "At the outset, all of our owners wondered how

we could set aside 90 minutes per week for our leadership team. Now we can't imagine how we were getting along without that meeting," he says.

Define specific responsibilities for each partner

When two people are accountable, no one is accountable. We can't all be in charge of everything. While your company is small, it might work fine for the person nearest the phone to answer it, or whomever is not busy to attend the networking event. But as your team grows, this kind of management creates complexity. Dividing up the roles and having someone accountable for each role works better as you grow. A sustainable business has at least the following roles:

- **Sales leader**—One person in the firm should be responsible for making sure new business comes in the door. This person will probably be responsible for the sales process, lead generation, and sales coaching of the advisors. When everyone is responsible for sales, no one is responsible for it, and this often ends in finger pointing, resentment and, ultimately, not achieving your "new AUM from new clients" goals.

- **Operations leader**—How do you deliver on the promises that you made during onboarding conversations? Most of the time, this person owns the areas of efficiency, compliance, staffing workloads, and quality control.

- **Finance leader**—How do you make sure the firm is maintaining profit margins as pressure increases on both income and expenses? This person often owns areas like IT and general administration.

- I**ntegrator**—This is where it gets uncomfortable. Only ONE person can lead the firm. This is the person who ensures that all functions of the company are aligned, departments are cooperating, and that the company is reaching its goals. This person LOVES getting down into the details of how the business is running; he or she is data driven and a realist. He or she makes realistic decisions based on facts, figures, and finances. This person is the big boss. It might be you, but most likely it's not. The company needs a disciplined leader more than a charismatic one, and that's hard! But don't despair, we have a role for your charismatic, heart-centered leader: the visionary.

- **Visionary**—The visionary is the person who has used her or his talents of relationship cultivation, caring, and influencing to grow the firm. The visionary has mastered selling, recruiting new people to the firm, and generating a following of people internally and externally. She has the vision for where she wants to be in five or 10 years. But, she has probably mastered running the business out of necessity. It may not be her passion, and, if she's like most entrepreneurs, she now dreads that part of the business. The visionary typically takes on roles like company culture, recruiting of new talent, maintaining big relationships, and researching new ideas.

Only one person can sit in each seat. There is no sharing of seats, but one person can sit in two or more seats. In a perfect world, every partner would take one seat and everyone would happily and productively fulfill their role, but this ideal rarely materializes. More often, there are empty seats with no partner to fill them, a partner with no clear seat that she wants to fill, or partners who just want to serve clients and do not want to be on the leadership team.

Most of the time, partners decide to create a leadership team that is made up of leaders from the partner group and non-owner employees. This was the case at Fairport Asset Management. Managing Partner Heather Ettinger says, "We had to be very selective about what we took on as partners and leaders in our firm. When we say yes to one role, we are saying no to others." Kenneth Coleman, also of Fairport, says, "adding people to our leadership team who were not partners gave us the strength we needed to have a more balanced leadership team." This is the case with 80 percent of the companies that are truly building a business.

Run your company on a system

Every company has a system. Some systems are put in place unintentionally, and some work better than others. **The system you have is perfect for the results you're getting**. This is always true. If you regularly wake up in a cold sweat, then you are running on the system called the "Up at Night" system. If you are constantly putting out fires, you are running on the "Only Pay Attention to What's on Fire" system. If you are the only one making decisions in your firm, you are running on the "Nothing Happens Until I Say So" system. If you don't like the results, change the system.

Once you choose a system that will improve your results (there are plenty of systems to choose from), make sure you stick to it! A plague that is hitting all companies, not just yours, is that leadership teams try one system, then try another, and yet another. It has been my experience that the best systems take about two years to fully implement and take a "slow but steady," disciplined approach to getting it right. Rod Coleman says of the Entrepreneurial Operating System (EOS), which his company implemented, "We are only a year in, so plenty is new and sometimes, it's as uncomfortable as a pair of new leather shoes, but at our quarterly employee meetings, when we ask what is working, EOS is a consistently positive answer. I'm happy to say that our big issues are now in our rearview mirror."

In a recent coaching session with one of my clients, the integrator said, "comfort makes cowards of us all." The alignment strategies mentioned here may be uncomfortable and have the possibility of being painful, but for the good of the company that you dream of, I challenge you to enter the danger zone and be brave. It will be worth it!

Jill Young is an EOS Implementer and business coach. She coaches entrepreneurial leadership teams of growth-oriented wealth advisory firms toward alignment around their vision, and teaches them to increase traction and create healthy, cohesive leadership teams. Find her at www.linkedin/eoscoach jill@tractionfirst.com.

By Brandon Odell

Managing an advisory firm like an industry-leading 'Super Ensemble'

The independent advisory industry is led by a group of large, fast-growing, and highly productive firms we call "Super Ensembles." These are firms with sophisticated teams that generate more than $10 million in annual revenue, compared with an industry average of $3.8 million. People management seems to make Super Ensembles the profession's leading businesses.

Super Ensembles take a people-centric approach that firms of any size can adopt. These firms grow at a rate comparable to smaller ensembles while maintaining the same profitability. This isn't easy. As large firms, Super Ensembles have to attract many more clients and assets than the average ensemble just to keep pace. For example, consider an advisory firm managing $100 million in assets and a Super Ensemble managing $1 billion. The $100 million firm will gain one percent in growth when it adds $1 million in assets from a new client; meanwhile, the $1 billion Super Ensemble manages 10 times more assets and will only grow 0.1 percent from adding the same new client with $1 million in assets. Yet, over the past two years, the compound annual growth rate of Super Ensembles was faster than that of smaller ensembles.

Super Ensembles grow faster than smaller firms because they use their size to their advantage. They have more people working together to develop business and retain revenue. In addition to the owners, the employees are responsible for bringing in new assets; as a team they work together to win bigger clients.

People are the most expensive resource for any advisory firm. Personnel costs total about 56 percent of revenue while all other expenses are around 19 percent for the industry-average firm, according to the *InvestmentNews 2017 Adviser Compensation and Staffing Study*. As such a large expense for the firm, this demonstrates the importance of making people productive and contribute to the growth of the firm. Super Ensembles apply disciplined management to maximize their investment in people.

What gets measured gets managed

The great Peter Drucker once said, "What gets measured gets managed." Simple but true, this statement for advisors means learning about your firm's financial metrics and how to set objectives to improve them. Too often advisory businesses make decisions based on the opportunity for growth without a complete view for how the overall financials will be affected. An opportunity that adds revenue, but also adds expenses, may not be profitable and may cause other opportunities to be missed.

For example, recruiting an advisor with a book of business will add to top-line revenue. However, if the advisor does nothing to help the rest of the firm grow and uses a lot of resources, the net value to the firm might be negative.

One key measure is profitability. There are few, if any, fixed costs for an advisory business, so firms do not gain economies of scale as they grow, and maintaining profitability becomes more difficult as your firm increases in size. It is remarkable that, on average, an advisory firm operating with $15 million in annual revenue has roughly the same operating margin—around 25 percent—as a firm with annual revenues of only $500,000, according to the 2017 *InvestmentNews* study.

How can this be? For starters, a $15-million firm averages around $8.75 million in staff compensation, benefits, taxes, and training expenses, according to the study. The personnel expense is large ($195,000 per person on average), reflecting the fact that the team may have as many as 45 people. But not all large firms spend as much. To control compensation costs, the best firms track profitability

Continued on page 16

Ensemble Size (revenue)	<$5M	$5M - $10M	Super Ensemble (>$10M)
2014-2016 Median CAGR*	5.9%	4.7%	7.5%

*CAGR = Compound Annual Growth Rate
Source: *InvestmentNews 2017 Adviser Compensation and Staffing Study*.

Continued from page 14

as a comprehensive indicator of firm health, growth, efficiency, and structure. If the firm is not achieving targeted profit margins, then management looks at issues such as whether the firm is structured properly and whether its people are as productive as possible.

Productivity is another key measure and a great indicator of capacity. Productivity metrics measure the amount of revenue the staff can manage and their effectiveness in doing so. The two key metrics are revenue per professional (advisor) and revenue per staff member. Super Ensembles constantly track their productivity to assess whether the firm is near capacity and needs to hire, is over capacity and needs to grow, or if the firm can reorganize the structure to be more efficient.

The study provides benchmark figures for these productivity metrics, but the figures are highly variable and dependent on the service and pricing structure of each firm; however, all firms can measure their own productivity and track it over time.

Super Ensembles aim to balance profitability with productivity, with the right amount of service for clients to maximize retention. For example, the firm may average $800,000 of revenue per professional and attempt to get this number to $1,000,000; however, if client service suffers as the advisors' capacity is spread thin working with more clients, then the risk to client retention may not be worth the goal of greater productivity. Conversely, if the firm's profitability isn't on target, there may be an opportunity to create more productivity by changing the organization structure or improving individual performance.

Maximize the organization

Whether you are a team of three people or 45, your firm should aim to maximize everyone's ability. In firms with revenue up to approximately $5 million, the team operates in more generalized roles: the advisors basically perform the same function, and the back-office has staff with multi-functional training to perform a number of tasks. Above the $5-million mark, the firm has enough clients and revenue to organize people into specialties. Perhaps the firm wants to dedicate an advisor to a niche or a skill so that it can offer better service or attract new types of clients with an expanded service offering.

The optimal organizational structure requires thinking about the firm as having one collective bucket of capacity that is more than the individual capacity of each person. If the structure is effective, the team should be able to do more together than it can do on its own. The firm should put its people to the best use based on their individual skills. The best business developers should have capacity available to develop new relationships and advisors should be allocated to clients based on their skillset. However, this can only happen if the firm is willing to transition client relationships from one advisor who has been trained for a specific task to another staff member who has been designated as the new liaison for the client.

Super Ensembles embrace the team structure to service clients as a group, thus strengthening the client's relationship to the whole firm and efficiently using the capacity of the advisors. Transitioning clients is also a great way to develop other members of the team.

Manage the development of staff

The advisory business is a people business. It needs people to deliver services. If this were a manufacturing industry, one question would be how to optimize the machines to produce revenue. The leading Super Ensembles optimize the output of their people. Clearly, people are not machines, so Super Ensembles manage goals, expectations, and compensation for all members of the team, including owners and staff.

Communicating expectations and goals is a two-way conversation. The firm can learn about the strengths and interests of each team member while sharing the firm's expectations for each role and how to contribute to the success of the team and therefore the firm. A great avenue for communicating is a performance evaluation: 97 percent of Super Ensembles conduct formal reviews.[1]

Along with sharing expectations, Super Ensembles align compensation with individual performance. Today, 77 percent of advisors receive over half of their compensation via a salary, with the balance coming from bonus or incentive compensation.[2] Instead of primarily paying advisors variably through bonuses or as a percentage of the revenue they produce, most firms pay a salary that allows the firm to use the employee best for the needs of the firm, which may not directly generate revenue. As mentioned earlier, the firm is best served if it can transition client relationships among advisors. If the advisor is paid directly from the revenue they manage, the advisor has negative incentive to transition clients.

The framework for managing people in leading Super Ensembles demonstrates advances in business management for the advisory industry. We are maturing in sophistication and operating more like standard businesses from any industry. All firms can replicate the principles used in Super Ensembles by measuring financial metrics, maximizing the organization, and managing the development of staff. People are an advisory firm's greatest resource and their potential should be exhibited—not inhibited—by the structure of the firm.

Brandon Odell is a partner at the Ensemble Practice LLC. He is an industry consultant, faculty for Ensemble Practices' G2 Leadership Institute, and co-author of the annual study of advisory firm conducted in partnership with InvestmentNews. For more, visit www.ensemblepractice.com.

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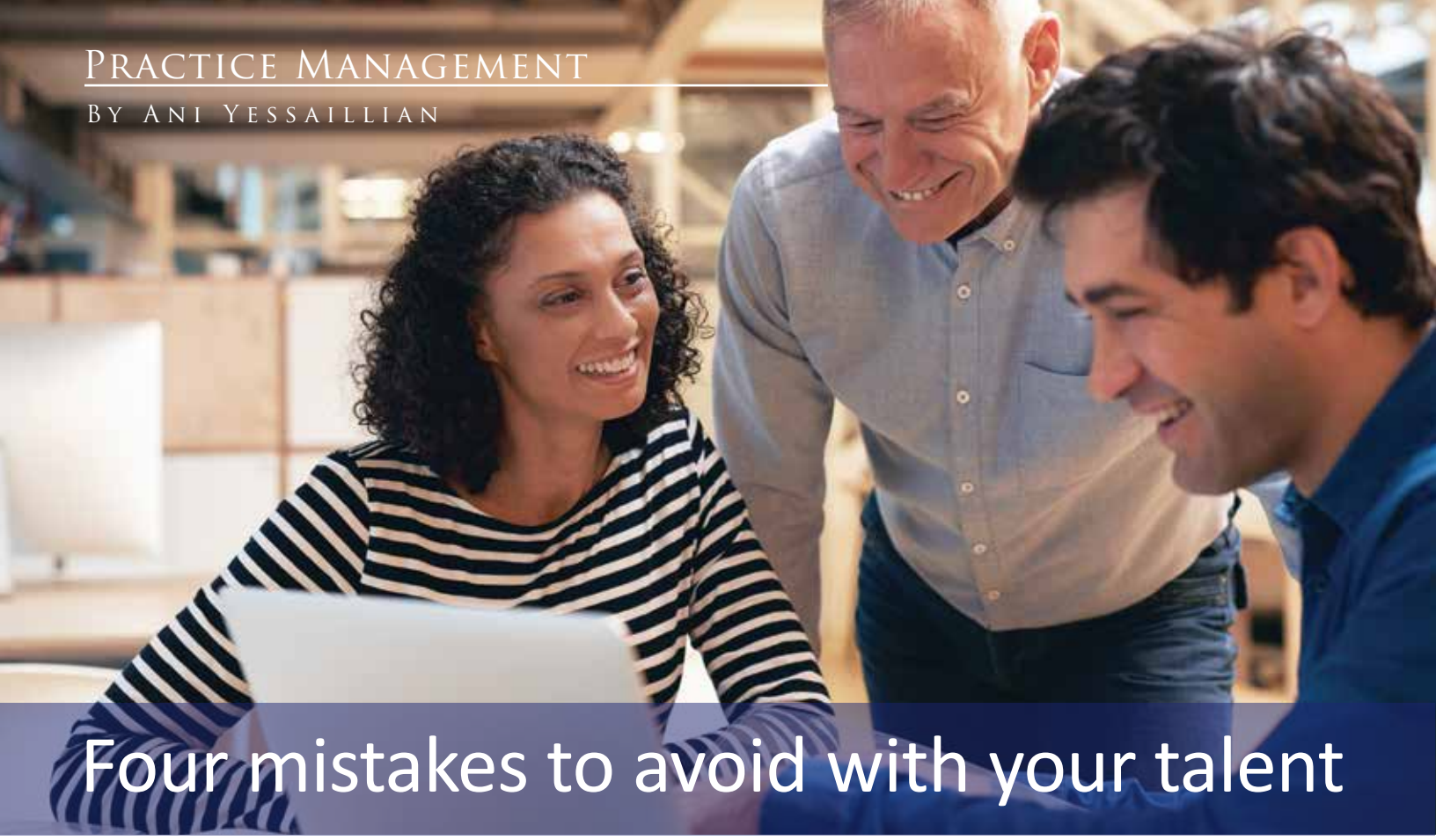
1. InvestmentNews 2017 Adviser Compensation and Staffing Study
2. Ibid.

By Ani Yessaillian



Four mistakes to avoid with your talent

Practice makes perfect, and that applies to hiring wisely and cultivating the talent on your financial advisory firm's team. Unless you've hired extensively, it's tough to evaluate whether a job candidate is a good fit for your firm. What's more, if your focus has been on recruiting next-generation professionals to your organization, you might have overlooked the important activity of ongoing training and coaching to further develop your existing team. As you continue to build your firm for the future, high-quality talent will be your greatest asset for achieving your goals for growth and profitability.

Through our work with financial advisors, we've identified four common mistakes made by advisors when it comes to maximizing existing talent and hiring wisely. If you identify with any of the four misconceptions that we describe below, you may want to implement some of our fixes and strategies to cultivate your existing talent and hire wisely in the future.

1. Allowing for mediocrity with existing team members

Findings from a Fidelity Investments benchmarking study showed that only half of RIA firms strongly believe their people have the skills needed for the firm to achieve its strategic goals.[1] If you find yourself agreeing with the half that doesn't believe it has a high-performing team in place, ask yourself why you allow the situation to persist. Are you unwilling or unable to pay for talent, or is there a shortage of quality professionals in your local market? Or are you simply complacent about the issue and unwilling to invest in training? Without a strong team, it will be difficult for firms not only to remain competitive, but to grow.

How to fix the mistake: As a first step, identify all the positions you need for your organization to prosper. Then, create job descriptions for each of these positions that define responsibilities and skill sets required for each role, regardless of who is currently in the role. Next, assess your existing team against the job descriptions and determine where gaps exist. For current staff you want to keep for the long term, invest in ongoing skill development—whether through coaching, self-study programs, or more formalized training—to elevate them to a higher level of performance that aligns with the job descriptions you created.

1. The 2015 Fidelity RIA Benchmarking Study.

Smart strategies to avoid future mistakes: Plan ahead. Discuss longer-term hiring needs during your firm's annual strategic planning process. This advance planning provides you with the time to think through your organization's true needs and craft well-thought-out job descriptions that align with how you want to serve your clients today and in the future. It's equally important that this advanced planning provides you with time to network within your community for potential candidates.

2. Thinking a new hire will naturally grow into the job

Not everyone can grow into a stretch position. We see advisors hiring young, smart, and inexpensive associates who have little experience in the jobs they were hired for—yet the advisor expects the new associate to grow into the job without any effort on their part to coach or train the new hire. Periodically, we see firms hiring an associate from another firm for a job function that's completely new to them. We wonder how the hiring firm can be sure the associate has the skills to become successful in the new role. A firm we're quite familiar with hired a top-notch client service manager

from a competitor with no sales training or experience to become a business development professional. To me, that's a risky proposition.

How to fix the mistake: If you can identify with this mistake, then invest in training the young associate. Coaching, self-study, or more formalized training are needed for this new hire to deliver as you expected. This extra help can make or break an associate's success in your firm.

Smart strategies to avoid future mistakes: Don't let raw talent or cheap labor fool you. If you want to add to your planning staff, consider hiring a paraplanner who has the skills that he or she can develop through hands-on experience in your firm. Alternatively, consider giving others in your organization a chance to try a new role—and provide them with the coaching or training to shine. If the individual doesn't succeed, and is a great employee, you can always shift him or her back to their original role.

3. Letting technical skills outweigh all other factors when making a hiring decision

Advisors should consider strong technical skills and professional designations as minimum standards for most hiring decisions. However, these factors shouldn't trump other important skills that are essential for a candidate to be successful. When looking to hire a financial planner, consider whether the candidate possesses emotional intelligence to effectively connect with clients. Ask yourself: can the candidate deliver tough advice to clients in an empathetic manner? Does he or she demonstrate strong interpersonal and communication skills to support the development of lasting relationships? These types of soft skills are becoming increasingly important for delivering an exceptional planning experience.

How to fix the mistake: If you find yourself having hired someone without the complete skill set needed for the job, ask yourself: Can you train this person and are you willing to invest in the training? If the answer to either of these questions is no, then consider cutting your losses sooner, rather than later.

Smart strategies to avoid future mistakes: For prospective new hires, document and prioritize all of the skills required for the position. Then, conduct a thorough hiring process. Ask interview questions that require the candidate to reveal whether he or she possess the skills you're seeking. Further, when checking references, seek to understand how the candidate has interacted in the past with both colleagues and clients. Pay close attention to yellow and red flags that may arise in these conversations, particularly as they relate to the skills that are essential for effectively performing the job, working with clients, and fitting in with your firm's culture.

4. Hiring a superstar before your firm is truly ready

Oftentimes, firms make the mistake of hiring a superstar before the organization is ready to absorb the new, highly skilled and motivated talent. The result can lead to misery for the firm and the new hire.

Several years ago, a highly talented professional colleague of mine was tired of the big company bureaucracy and was itching for a new position in a client management role that gave her increased managerial responsibilities and the ability to make a direct positive impact with clients. A large RIA firm quickly snapped her up with a hefty compensation package and the opportunity to lead all of the firm's client service efforts. She inherited a small team that served some extremely wealthy clients. No sooner was she in the job than she discovered there were many deficiencies in how these clients were served, and her team lacked the skills to meet client service standards. She was met with resistance by the management team and her staff when she wanted to institute changes that would elevate the client experience. Not surprisingly, she was quite unhappy and eventually left the firm.

How to fix the mistake: If you want a new hire to take a leadership and managerial role in your firm, then you need to empower them to perform their job, which may include making changes. Give them authority, consider their recommendations for improvements and change, and give a few of their suggestions a try. By doing so, you will reap the benefits of hiring the superstar. Otherwise, you risk losing them.

Smart strategies to avoid future mistakes: Set up your new hire for success by investing in your existing staff. It's so tempting to hire a superstar and think he or she is going to hit it out of the park without a capable team. In our experience, the only way for the new hire to be successful is to first invest in the existing team to elevate them to a skill level that the new hire can further develop. A small-group coaching and training program, customized to the needs of your existing team, is an efficient and highly effective way to prepare them and your future superstar hire for success.

Also, don't overlook the importance of having an honest conversation with yourself and your management team about the types of changes you want the new hire to make and the level of authority you plan to grant this individual to make the changes. In these conversations, discuss where you want the firm to be in five years and whether hiring the candidate and giving this person some authority to develop the team, and make changes if necessary, will help your firm achieve its longer-term goals.

As you move forward with strengthening your team, we encourage you to carefully identify the talent and skills your firm needs to prosper over the long term. Don't rush to hire. By planning ahead and taking the time to hire carefully, you can avoid the common mistakes we see advisors make over and over again. At the same time, don't overlook the potential of giving members of your existing team a chance to elevate their skills and careers with training and new responsibilities. Investing in your existing team can pay big dividends as you chart your path for growth.

Ani Yessaillian is the principal and founder of Excella, a strategic marketing firm that offers services, including next-generation coaching and training, for RIA firms. Contact her at ay@excellamarketing.com or www.excellamarketing.com.

By John Pak

Less is more: financial minimalism

Simplicity has been talked about for centuries. From the philosopher Lao Tzu to the monk William of Ockham, there have been countless discussions of simplicity as the answer to life's challenges. Today, you can see the same concept permeating our culture under the umbrella of what's called "minimalism." It's always been discussed, but rarely applied in everyday life. And it's rarer in the financial world.

I may be only one of a handful practicing financial minimalism as a niche. Perhaps there's a misconception about how minimalism applies to personal finance. I don't tell my clients to sell their homes, cars, and other possessions to move to the country to live off the land (à la Henry David Thoreau). Instead, I try to show clients the ease and feasibility of applying simple solutions to their personal finances. I look at their current situation from this vantage point, simplifying the path to their goals, thereby freeing more time and money to focus on the things that are important.

You'd think keeping finances simple—both from an advisory and an operational perspective—would be one of the top tenets of financial professionals. But I'm part of an industry that promotes excess choices. Having started my RIA last year, I found out firsthand the importance of practicing minimalism, from selecting the right business model to procuring the right technology stacks, amid the overwhelming cornucopia of choices and decisions.

POP rule

When applying minimalism to starting a practice, distinguish between "wants" and "needs" as you determine what you need. As a minimalist, whether you're starting with limited funds or a continuous cash flow, set your budget by identifying the basic necessities. As a new RIA, you must consider registration, website, business cards, workspace, software, marketing, and the list goes on.

To manage this chaos, remember the acronym: POP

- **P**rioritize—identify each item's level of importance.
- **O**rganize—categorize each item and avoid duplication.
- **P**urge—discard unnecessary, underused items.

POP examples

Let me share an example for each of POP's components.

Prioritize

Advisors face an overwhelming number of software options catering to financial planning, CRM, scheduling, performance reporting, merchant services, cloud-based storage, accounting, etc. The truth is, you can do most, if not all, of the aforementioned tasks on your computer as is instead of buying individual specialized software packages. I accomplish most of these activities through the Microsoft Office suite of applications. The best part: the software came with my laptop. It takes a bit of patience and time to customize, but once you get the hang of it, you'll soon forget about your wish list.

COST: $0.

Organize

I decided that my client and meeting notes should reside under one "roof." It doesn't bode well if you're about to go through an audit and realize that your notes are scattered between Outlook Calendar and Microsoft Excel. I invested in Less Annoying CRM to store all my client data and meeting notes for the price of five cups of coffee/month.

COST: $10 per month.

Purge

I periodically review my process from top to bottom to see what needs to be jettisoned.

Chances are, you'll find something that is underused. Purging creates more physical/virtual space and cuts expenses. For example, having been a part of corporate America, I was accustomed to brick-and-mortar spaces. At first, the songs of commercial real estate sirens lured me in. However, I realized this wasn't optimal set up. Fighting traffic in Los Angeles, where I live, is the price I pay to be in one of the world's most desirable locations. I experimented with creating a virtual office using video conferencing platforms like ZOOM or Google Hangouts. I explained to my clients that this would save time, money, and most importantly, our sanity.

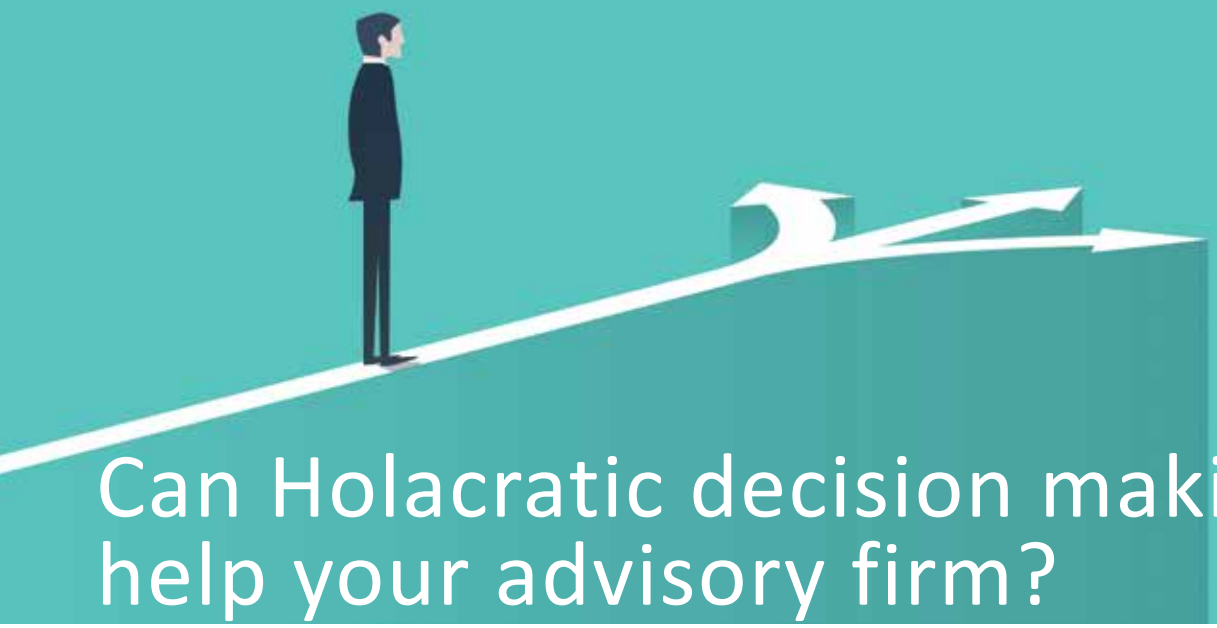
COST: $0

Let me end with this food for thought from *The Art of Choosing* by Sheena Iyengar, a professor at Columbia Business School. She enlightened me with a research study that dealt with jam—yes, the delicious spread that we smother over toast. Here's the abridged version: a market set up a booth displaying 24 selections of jam and every few hours switched the quantity down to 6. The fascinating results showed more customers took action and purchased jam when there was only a handful of selections instead of double-digit offerings.

People find too many choices enervating. Minimalism attempts to relieve paralysis caused by too many unnecessary choices. The question we should ask ourselves: how many jars of jam do we really need on our shelves as we run our financial planning firms?

John Pak, is a NAPFA member and founder of Los Angeles-based Otium Advisory Group, a financial planning firm with a mission to spread the practice of financial minimalism as an effective strategy for personal finances.

By Rick Kahler



Can Holacratic decision making help your advisory firm?

Adopting Holacracy is one of the most valuable practice management strategies I've encountered. Can it work for your advisory firm?

Distributing decision making

Holacracy is an organizational approach that takes decision-making from the top and distributes it throughout the firm. One of its founders, Tom Thomison of Encode.org, calls it "a complete wholesale replacement for management hierarchy." Holacracy invites everyone to become an entrepreneur in carrying out their role to achieve the purpose of the organization. Each person has several roles, which are defined according to work needs rather than job titles. Teams and individuals are empowered to make decisions. Rules and procedures are clearly defined and apply to everyone. But let's be clear: Holacracy is not egalitarian or a democracy. Its goal is to serve the purpose of the organization by inviting people into conscious relationships with themselves and each other.

Holacracy can be a good fit for a firm that offers comprehensive fiduciary financial planning. Its defined roles and local decision-making are well suited to an office where specialists focus on various aspects of financial planning. Its emphasis on personal maturity and responsibility also make it appropriate for a company whose culture and core purpose center on personal and financial well-being.

My firm's experience

Kahler Financial Group adopted Holacracy several years ago after defining our core purpose as being "to transform the financial and emotional well-being of people." By using "people" rather than "clients," we acknowledge that to foster transformation and well-being for our clients, we also need to be concerned about the well-being of all the members of our staff.

Everything we do is in support of achieving and maintaining happiness, health, and prosperity for our clients and also for one another. Our company culture provides a work environment that integrates associates' personal and professional lives. We do this with flexible work schedules, work-from-home options, and generous allowances for both unlimited professional education and physical and emotional wellness programs. Holacracy's transparency, clear definition of roles, and emphasis on autonomy and responsibility make it a good fit for this culture.

One big difference with Holacracy comes with having what we call "roles" instead of "job descriptions." Roles are more focused and specific than job descriptions, and they are not restricted to a particular individual. This allows us to have more clarity and fluidity, as the roles of each person can change depending on workload, competency, and interest.

We no longer have departments, either. Instead, we have "circles," which hold the authority to make decisions about roles, tasks, and policies. These decisions are made democratically by the circle instead of by a manager. This empowers employees to adjust without continually checking in with me. For example, in an early circle meeting a "tension" about filling in a time sheet ended with us adopting a policy for unspecified personal time off.

The process of adopting Holacracy has not been easy. This is common, as I learned at the first Global Holacracy Forum, held in Amsterdam in May 2017.

One of the speakers, Frank Klinkhammer of NetCentric in Zurich, said, "The personal development of every partner (employee) is now important to the whole group. Do not over-estimate a person's ability to change, or even your own."

His warning resonated with my own experience. Since Holacracy is a functional operating system for organizations, it requires functional people to operate within that system. I overestimated people's ability to change their behavior and to flourish rather than flounder with the increased freedom and responsibility. As a result, we lost a number of people who could not adapt. This isn't unusual. Zappos, the largest company to adopt Holacracy, lost 33 percent of its workforce. Another of Holacracy's founders, Brian Robertson, says it takes five years for Holacracy to work.

Given the challenges of implementing it, is Holacracy worth adopting? I believe so. Over the years, I've become convinced that the happier and more fulfilled employees are in their lives and work, the better served their clients will be. If we as employers not only seek out exceptional people but provide them a strong and supportive company culture, they will inherently take superb care of our clients.

Adopting Holacracy has taken a reasonable amount of the micromanagement away from my position as the owner. It has also given my staff a safe place to say things that were previously not expressed. They have the flexibility and authority to make decisions and solve problems without my input.

Staff meetings are now highly productive, short, and engaging. Holacracy features a meeting structure that is a combination of *Robert's Rules of Order* and a 12-Step meeting. It is an elegant system that allows everyone to be heard and have input on any issue. Also, our role descriptions are detailed but flexible, and they are visible to everyone in the company. There is usually no question as to who is responsible for any given task.

I define Holacracy as "a functional (as opposed to dysfunctional) operating system of an intentionally conscious organization." For any company, the process of becoming conscious can be difficult, time-consuming, and messy. Like any major organizational change, it comes at a cost. In the long run, however, I believe Holacracy's benefits make that cost worthwhile.

Rick Kahler, MSFP, ChFC, CFP®, is a Fee-Only financial planner, speaker, educator, and founding member of the Financial Therapy Association. His co-authored books include Conscious Finance *and* The Financial Wisdom of Ebenezer Scrooge. *He is president of Kahler Financial Group.*

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MAY: Scheduling software: and absolute 'must have,' part II

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By David Grau Sr.

Mergers: an opportunity to reshape your future

"Merger" connotes strength and growth—addition rather than subtraction. The ability to combine forces quickly, usually on a tax-free basis, helps advisors to turn their one-generation practices into sustainable businesses later in their careers. A merger is appropriate for advisors who aren't ready to cash out, but who need to quickly strengthen their operations and improve their planning for the future.

A tool for growth and sustainability

Legally, a merger is a statutory combination of two or more companies into one. Usually most of the key principals and staff remain post-merger, combining their respective strengths and eliminating or reducing pre-merger weaknesses or inefficiencies.

A merger can provide immediate and comprehensive solutions to a variety of critical issues advisors face such as succession planning (a gradual internal transition of ownership, leadership and production responsibilities through a stock-based transaction) and continuity planning (a sudden change of control and ownership often triggered by death, disability, or termination of a key advisor), by adding and retaining talent from two or more practices. It provides a path to immediate growth, operational strength, new markets, and greater efficiency.

A merger is a great answer to the question that many clients ask of their trusted but aging advisor: "What happens to me if something happens to you?" It also provides advisors with the ability to realize the value they've spent a lifetime building in their advisory practices—all this, while they provide their clients with a seamless succession and continuity solution.

How mergers work

Statutory mergers, as well as consolidations and reorganizations, are conducted under the rules of the Internal Revenue Code (IRC) Section 368, as well as applicable state statutes. With a merger, the advisor is effectively restructuring his or her business. Because—unlike when a business owner sells and walks away upon retirement—there are no "sellers," the business owner avoids the tax consequences of a traditional sale, and clients don't lose their trusted advisor.

Mergers often involve a tax-free exchange of assets for equity. In most cases, the foundation for equity is an entity structure—an S corporation, an LLC, or some type of tax conduit structure. The equity, as either stock or a membership interest, can be bought or sold or used like cash to power a merger or an acquisition. When the entity owns or exerts control over the client relationships and related cash flow, the entity has "investable value," and the IRC permits the transfer of that value in the context of business building and/or restructuring to be tax-free in certain situations.

The goal of a statutory merger is best expressed by this simple but challenging equation: 1 + 1 = 3, where the total cash flow and value equals more than the mere sum of the underlying parts. Mergers are usually about synergy in one way or another, as two or more financial advisors come together to accomplish things no single advisor could do alone.

A case study

Robert, 58, is the sole shareholder of an S corporation with about $1 million in gross annual revenue, and close to $2.5 million in value. Robert is contemplating retirement, but would like to work for at least five to seven more years. New clients are not as common as they used to be, so growth has plateaued. Robert has no continuity plan in the event of his death or disability, and no

key employees are ready or willing to buy in gradually or completely. Robert has elected to continue working and hope for the best. This is very common in the financial advisory profession, but a merger could potentially provide solutions to the advisor, his/her clients, and staff.

A merger in this instance could mean that Christine, a 35-year-old advisor with about $200,000 in gross revenue, merges in and becomes an equity partner in Robert's larger, stronger practice. The merger creates a formal structure with more than one owner, more than one generation of ownership, and a support staff. Christine gets a mentor and an equity interest in a larger practice that she will probably eventually own outright. Robert gets a younger, but experienced, partner.

In this case, a merger is nothing like an acquisition between a buyer and a seller. Mergers usually result in all parties staying on and working together for at least several years—something that clients often welcome.

An added advantage is the creation of a continuity plan to protect against the sudden death or disability of any one shareholder, taking advantage of a formal entity structure and a well-written shareholders' agreement or buy-sell agreement. A merger can also provide the opportunity to construct a formal succession plan allowing for a gradual, on-the-job retirement for Robert as part of an incremental sale of stock from the founder to the successor. The senior financial advisor can work for a few more years, or maybe much longer, gradually throttling back on time and energy commitments while still enjoying ownership benefits including a base salary, an expense account, profit distributions, appreciation of stock value, and a support team to help take great care of his or her client base.

Merging can be hard work. It requires allocating an appropriate amount of equity ownership, balanced with fair compensation, and tying the process together with updated corporate agreements and governance. With the right guidance, merging firms can also set up for the next stages of leadership and production through continuity and succession planning in a tax-efficient manner. In exchange, mergers allow advisors to reshape their future. That's worth thinking about.

David Grau Sr., JD, is president and founder of FP Transitions. Read more about mergers at www.fptransitions.com/mergerWP.

By Bridget McCrea

The biggest mountain to climb

Marie DeCaprio of Sax Wealth Advisors, LLC

Marie DeCaprio knows what it feels like to *not* be an active NAPFA member for a period of time, and she doesn't like it. A partner and wealth advisor with Sax Wealth Advisors, LLC, of Clifton, NJ, DeCaprio was suspended from the organization several years ago because Sax LLP, the accounting firm that owns Sax Wealth Advisors, then included a risk management group that received insurance commissions.

"Because Sax Wealth Advisors is wholly-owned by Sax LLP, it was determined that we couldn't be Fee-Only at that particular time," says DeCaprio, who joined NAPFA in 2005 after starting her own Fee-Only planning practice two years earlier. "I was suspended, and it was somewhat devastating for me."

DeCaprio spent the next two-plus years convincing the firm's partners of the value of being Fee-Only, and why a reinstatement was important. "It definitely was a process," she says. "We basically had to convince professionals who were not financial planners to give up that insurance commission revenue stream."

In some cases, the decades-long client relationships had to be severed. "It took a while to make sure that all of the avenues that we were potentially receiving revenue from were stopped," DeCaprio explains. "For that, we really should win the award for 'The Biggest Mountain to Climb,' because that's exactly what it felt like."

The firm's wealth management professionals have stood behind the transition, mainly because they've been doing business on a Fee-Only, fiduciary basis since the beginning, DeCaprio says.

"Our wealth management group started with zero assets in 1998, and now we're approaching almost $1 billion in AUM," she explains. "Our client base includes a wide range of high-net-worth individuals, 401(k) plans, and business owners. We've really come quite far by always putting clients first."

On a mission

Sax Wealth Advisors' parent company Sax LLP is a multidisciplinary accounting, tax, and advisory firm that's been in existence for over 60 years. Sax Wealth Advisors was formed in 1998 when one of the parent firm's partners decided to add investment management to its lineup. "The regulations had just changed, and accounting firms were able to provide clients with investment management," DeCaprio explains.

Having fielded requests for investment management services and support for years, the partner aligned with several brokerage firms and got into financial planning. When that model didn't work out as planned, he decided to bring the Fee-Only services in-house, and began working with the Buckingham Asset Management (BAM) Alliance.

A community of more than 135 independent wealth management firms located throughout the U.S., BAM focuses

The softer side of financial planning

Not all of Sax Wealth Advisors' clients come to the firm with complex retirement or estate planning needs. Some just need good financial advice to carry them through the next phase of their lives, and figuring out how money fits into that picture.

Many of these referrals come through the NAPFA firm's parent company, a CPA firm that deals with many business owners and high-net-worth individuals.

"Many of these business owners are getting older and either selling their companies or transferring ownership of those entities," says DeCaprio. "They're having these huge liquidity events and need help figuring out what those events really mean and how they will affect them for the next 10 to 20 years."

For these clients, DeCaprio answers questions like, "What will my life be like after I sell my business?" and "How will this affect the next phase of my life?" She calls this the "softer side of financial planning," and says it feeds her passion for helping people find the path to happiness and financial success.

"It's about helping people figure out what's next, and how money fits into the context of life," says DeCaprio, "as opposed to viewing financial planning as a separate entity. The fact that the CPAs pull us into these conversations really leverages the full strength and expertise of our firm."

on creating a "better, more effective, and more resilient way for investors and their families to safeguard their financial futures and realize their dreams," according to the organization's website. Today, Sax Wealth Advisors remains part of the BAM Alliance, which is also currently a part of NAPFA and works strictly on a Fee-Only basis.

DeCaprio had about a dozen years of experience as a Fee-Only NAPFA-registered Financial Advisor when she joined Sax in 2015 from MCD Advisors, where she was a sole practitioner. From her experience as a practice owner, she developed a strong passion for client-centric, fiduciary planning, and non-discretionary asset management. "Since I joined this firm three years ago, I've been a pretty strong advocate for reinstating our status as Fee-Only advisors and being members of NAPFA—a goal that came to fruition in August 2017."

Sax Wealth Advisors, at a glance

Location: Clifton, NJ

Website: saxwa.com

Year founded: 1998

Number of staff: 13

Number of clients: 635

Amount of money managed: $1 billion

Description of typical clients: Small-business owners, physicians, and individuals who have substantial retirement savings.

Typical client needs: Comprehensive financial planning, retirement planning, estate planning.

Favorite financial planning website: mint.com

Favorite non-financial planning website: twitter.com

Piece of advice to fellow NAPFA members: "Focus on succession planning from day one of starting your business."

Painting a holistic picture

Sax Wealth Advisors manages 635 clients with an in-house staff of six wealth advisors, four portfolio advisors, and three administrative professionals. "Because we're part of BAM," DeCaprio says, "we're able to outsource a lot of our back office and also leverage the group's advisory services."

In most cases, Sax Wealth Advisors' clients are small-business owners, physicians, and other professionals who need advice and support throughout their financial lives. The firm also has clients who have worked their entire lives, saved well for retirement, and are now looking for someone to help them manage the next phase of their lives. DeCaprio and the other advisors help those clients answer questions like, "How much money can I spend?" and "What kind of estate planning do I need to be doing?"

These days, DeCaprio says she's also working with younger generations that want to get out in front of their retirement saving and other financial needs. "We have children of clients who are just starting to work, or just starting families," she explains. "We're reaching out to them and pulling them in on a 'family financial planning' basis."

As part of that mission, the firm is also helping its long-term clients make good decisions about the transfer of generational wealth. "We're very consciously bringing in the next generation whenever we can. We feel like it's part of the holistic financial planning picture," says DeCaprio. "We know that whatever advice we're giving our clients—with respect to how it affects their family, their children, their grandchildren—is extremely important to them."

Investment philosophies

An advocate of using low-cost passive funds for client portfolios, Sax Wealth Advisors uses funds from DFA, AQR, and Bridgeway, as well as a number of ETFs. "We definitely espouse the philosophy that there are certain parts of the market that do better over time," says DeCaprio. "As a result, we tend to overweight those parts of the market and reduce overall portfolio risk by adding high quality short-term bonds."

With bonds, the company uses a conservative approach based on BAM's proprietary fixed-income trading desk, which buys individual bonds for clients (with no markup and no fees). This allows Sax Wealth Advisors to offer a low-cost, long-term investment solution. "We're not trading, but we have model portfolios and trading tolerances," DeCaprio explains. "We rebalance when a portfolio gets out of balance, and constantly monitor the allocations. It's a continuous process."

Happy to be back in the NAPFA family, DeCaprio says Sax Wealth Advisors will continue to provide the highest level of service possible for its clients while also growing its client base. She hints that some of that growth may come from "merging" with other firms, and that the company is bringing in younger advisors as part of its succession plan.

"We're very proud of the work that we're doing here, and we want to bring more people into the fold and just keep growing," says DeCaprio, "not only from the business side but also on the client side. That will help us continue to bring comprehensive financial planning and objective advice to as many people as possible."

By Brian Thompson

Lessons learned from 2017 that will help your business thrive in 2018

Happy New Year! I hope the end of 2017 was enjoyable and filled with a lot of love and celebration. Now it's time to get back down to business and start planning for your successful 2018.

I received a lot of great insights from our NAPFA community about how we can help our businesses thrive in 2018. The lessons focus on growing your business in a way that suits your lifestyle and on planning how you want that growth to happen. In the stories below, you'll find out how to control your business, rather than it controlling you. I found the advice on hiring and blocking off time particularly helpful.

Gabriel Shahin, Falcon Wealth Planning

The year 2017 was a banner year for me. After a little over two years in business, I broke the $100-million in AUM barrier. I learned several lessons that I will take with me into 2018.

First, I know now that I need to build my firm in anticipation of growth. I think I waited too long to hire and haven't been able to scale like I've wanted. Second, speaking of growth, I learned the cost of not hiring high-quality personnel. While it was cheaper initially, the cost of training, supervising, and ultimately needing to hire someone else was much more significant. Lastly, I've learned how crucial it is to have a supportive spouse and team. I've worked a lot of hours for this growth, and it has taken away time from my personal life. Yet my wife has been extremely supportive, and I didn't have to worry about my relationship as I focused on my business these first couple of years. We both understand I won't need to work at this pace forever.

For 2018, I would like to continue growing in hopes of getting to $200 million to $240 million in AUM. Over the next three years, I would like to reach a half billion. Simultaneously, I would like to reduce my hours and gain more balance. Achieving both of these goals will require hiring more staff. I would like four additional people—a CPA, CFA, junior planner, and an operations person. I will also have to streamline my processes, training, and management to get everyone on the same page.

Kyle Mast, Clarity Financial

I had my first child at the beginning of 2017, so I had to make some permanent changes to my business. He was born in January, and I took off the entire month of February. I really enjoyed having that time with him and my wife. I did email some, but for the most part got things done ahead of time. I didn't get any pushback from clients.

When I went back to the business, my wife and I created a schedule that worked for both of us. I capped my work time to 30 hours a week. That allowed me to give my wife time off and take baby duty a few days a week from 6 a.m.–12 p.m. We've also scheduled a date afternoon once a week and Friday morning fishing for me. I've blocked off this time in my schedule and do in-person meetings only on Thursdays.

I feel lucky to have had my child when I did. I don't think I could have had this flexibility while hustling to grow the business the first couple of years. But now, in year three, we've learned to live off half our income and can trade money for our time and freedom.

For 2018, I want to diversify my revenue streams, maybe investing in a real estate business or buying a rental property. I'm also looking to hire. In reality, I probably should have done so a year ago. Hiring, in conjunction with eliminating some smaller clients, should help me maintain the balance of my schedule.

Patrick Logue, Prudent Financial Planning

In 2017, I learned that you have to be ready to not take a penny out of your firm during that first year. It takes time to build a profitable practice. Registration can take longer than you expect, and you need to be ready to work on other aspects of your business throughout the process.

It was very helpful for me to test drive several fintech options and then subscribe to the providers I selected before even having a single client. This gave me time to learn each of the systems the best I could before starting the onboarding process with clients. I would caution others to keep your costs low and not subscribe to too many software packages until you have some revenue coming in. You have to walk a fine line to balance the benefits and costs.

For 2018, I really want to focus my business on helping tackle the college debt crisis. When I began my college journey, I did not know about terms like expected family contribution, Free Application for Federal Student Aid, College Scholarship Service Profile, subsidized versus unsubsidized loans, American Opportunity Tax Credit, etc. I want to share my knowledge and tackle this issue one family at a time. To that end, I will also teach several personal financial planning courses to local high schools on a pro bono basis.

Debbie Gallant, Gallant Financial Planning

In 2017, using methods I learned from the Strategic Coach program, I set aside free days and buffer days for myself. Working out of my home office, every day at every moment, began to burn me out. Now I have two free days a week (Saturday and Sunday) and two buffer days (Monday and Friday). The buffer days are time I set aside for bigger projects where I need a lot of focus.

Therefore, I don›t have client meetings on those days.

The year 2017 was also the year that I finally broke through some mental blockages I had about charging appropriately. As a career changer who had never worked with another advisor, I lacked the confidence in myself to charge the fees that my peers charged. I spoke with coaches, mentors, and colleagues about what I should charge, how I charge, and how I develop confidence in my fees. I was finally open to trusting that the services that I provide were worth clients paying appropriately for it. My gross revenues increased 30 percent in 2017, and are on track to increase a similar amount next year. Even as I increase my fees, my business continues growing.

In 2018, I plan to take the Strategic Coach ideas even further by increasing my vacation days. Ideally, I would like to work 40 weeks per year and have the rest of the time for vacations, self-reflection, self-care, and family time.

In order to achieve my goal, I will employ a few tactics. First, I'm learning to say "no." I know not to chase after every prospective client who wants or needs my services. Second, I continue to push the workflows in my CRM, so my staff and I can work harder and smarter. Lastly, a virtual assistant does all of the paperwork for onboarding clients at TD Ameritrade and transferring their accounts from their previous custodian. This allows me time to focus on meaningful client work.

Dan Andrews, Well-Rounded Success

The year 2017 was a year of the "rubber meeting the road." I launched in 2016 and that year consisted of building the foundation for my company to ensure it was operating properly in efficiency, technology, and compliance. It allowed me to build on that foundation by redefining my unique style toward financial planning to help new adults with financial literacy and personal growth. I also made time to give back to our financial planning community by being part of our local Colorado FPA chapter and the XYPN Diversity Committee.

I plan to keep building on that momentum for 2018, including a role as the 2018 public relations chair for the Colorado FPA. I will also help recruit financial planners from all walks of life through our work on the XYPN Diversity Committee.

Businesswise, I will commit to our "new adult" niche and find ways to get in front of this audience. I will keep learning and building skills to become a better financial planner for our clients. Lastly, I will remember to enjoy the process, the ride, and the constant evolvement.

I hope you found these insights as helpful as I did. Speaking of goals for 2018, I want to continue to make the "Efficient Planner" column a place you can learn to make your practice the best it can be. Let me know what you'd like to read about at the email address below.

Brian Thompson is a NAPFA member who runs his efficient practice in Chicago. Please email column ideas or questions to Brian at brian@btfinancial.com.

IN THE LIMELIGHT

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Karen Altfest, Lynn Ballou, Sheryl Garrett, Deena Katz, Ross Levin, Dan Moisand, *and* ***Dave Polstra:*** *"Voices of Experience," Financial Advisor, Nov. 14.* Levin says, "The most important aspect of a long-term practice is getting you and your clients comfortable with impermanence. Things are always changing, so getting comfortable with change is better than pretending that you know what the future holds."

Dave Yeske: *"The professors revolutionizing financial planning," FinancialPlanning, Nov. 1.* "The average age of financial planners is in their 50s, and there are a lot of people who need to think about that [succession planning] sooner rather than later," Yeske says. "Recruiting new hires from formal degree programs is the way to go. They still need the experience and you can't replace that, but they show up with such a solid foundation."

Gene McGovern: *"Want to save more? Do it smart | Biz Brain," NJ.com, Nov. 1.* McGovern says, "Contributing an additional 2 to 3 percent of your pay toward retirement can make a dramatic difference in the ending balance of your account, thanks to the magic of compounding."

George Papadopoulos: *"Today's Not a Good Day to Be George Papadopoulos on Twitter," Wired, Oct. 30.* NAPFA member George Papadopoulos was mistaken for someone with the same name who advised the Trump campaign and who pleaded guilty in October to lying to the FBI about his contacts with Russian government officials. "I always wondered what it would be like to have something you post go viral," Papadopoulos says. "But I never imagined it to be something with your name associated with words like indictment … and lying to the FBI."

Scott Beaudin: *"Why retainer fees pose questions for regulators," FinancialPlanning, Oct. 20.* Beaudin says, "My sense is that the securities regulators just need some education about what we're trying to accomplish by providing better choices and a broader range of choices for fee structures for clients. There's nothing that I can see in these fee models that is negative for consumers."

John Ceparano: *"Why advisors should look closely at cash balance plans," FinancialPlanning, Oct. 20.* Talking about cash balance plans, Ceparano says, "They can drastically reduce taxes for the owners on a corporate and personal level, depending on the way you have your business set up. They can accelerate your retirement savings, especially for older people when they have not had a chance to accumulate those earnings."

Peggy Ruhlin: *"Clients worried about a stock market crash? Comfort them with cash," Investment News, Oct. 20.* Ruhlin says, "Obviously, we cannot control where the market is or where it will go; we only know it will go up and it will go down. You have to be prepared for both."

Danielle Seurkamp: *"The Pros and Cons of Using Mental Accounting," Nasdaq.com, Oct. 12.* Seurkamp says, "Mental accounting is a term that describes our tendency to categorize or group money into different pots in our head and then make decisions about how to use the money based on that. It's our mental way of saying, 'This money is for this and that money is for that.'"

Michael Palazzolo: *"Tax moves to make regardless of what happens in Washington," Yahoo Finance, Oct. 25 and "When Do You Convert Into a Roth IRA?" U.S. News, Oct. 23.* Palazzolo says, "Make sure you're giving because you want to and can afford to, and not just because of the tax break."

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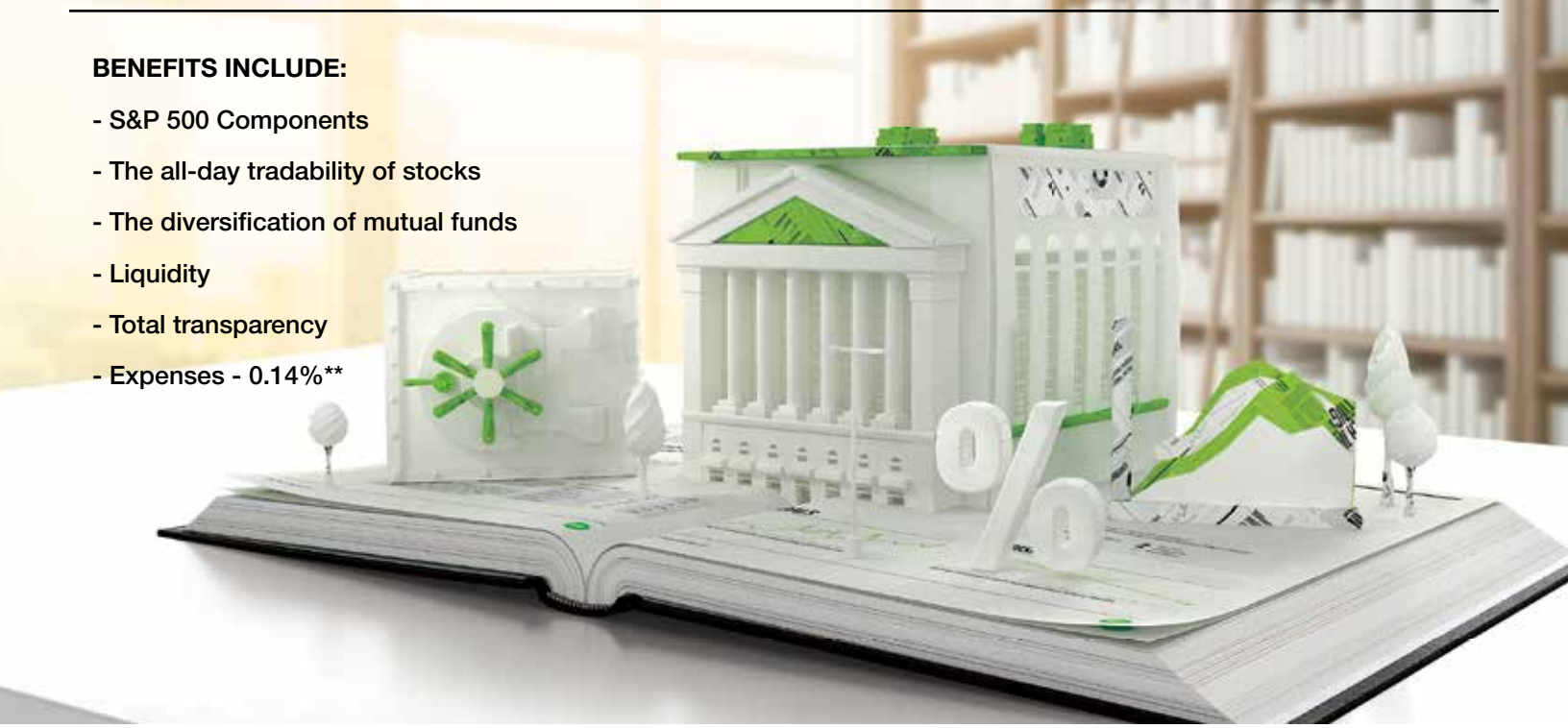

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Citigroup	C	5.83%
Goldman Sachs	GS	2.65%
US Bancorp	USB	2.50%
Morgan Stanley	MS	2.16%
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