ALTIUS LEARNING

THE FOUR LEVERS REQUIRED TO BUILD A MILLION DOLLAR PRACTICE

Creating a million dollar practice has been the "gold standard" that financial advisors aspire to reach. I remember back in 1980 when I was starting my career thinking about how hard it would be to ever reach that level of business, and being frustrated that a goal that was so important to me appeared to be so elusive. As I have since learned I wasn't alone in my frustration: only 1% of financial advisors ever reach a million dollar practice. With the benefit of hindsight and having worked directly with over 100 individual million dollar producers—many of the most successful in our industry—I am confident that the most important concept to embrace in reaching the million-dollar level is leverage.

Leverage means getting more productivity from the hours worked every day. Most advisors are not interested in working more hours to reach their goals; they want to work smarter. There are four primary levers that the motivated advisor must include in their practice to reach the million-dollar goal.

Lever of Size

Leverage of size refers to the fact that it doesn't take any longer to invest $100,000 for a client than $1,000,000, but the advisor gets paid ten times more for the same amount of work. I would never guarantee that an advisor will double their business by doubling their hours, but I will guarantee that if an advisor doubles the asset size of their average client their business will double.

A second part of this lever is that as the wealth of each individual client increases, so do their expectations. The million dollar investor is the most sought after commodity in the wealth services industry, and they are inundated with requests to transfer their accounts. If the service they receive doesn't meet their expectations, the affluent client will leave for better options.

Service is a function of time committed to a relationship, and an increasingly high service commitment limits the total number of affluent clients an advisor can work with. In my experience, an individual advisor cannot work with more than 100 affluent clients – especially if the advisor is working toward raising the affluence of these clients. In my book, *The Million Dollar Financial Advisor*, I determined through my interviews with many of the most successful advisors in our industry that the average number of total relationships these advisors worked with was 80.

Lever of Expansion

The lever of expansion refers to gaining 100% wallet share of each of your core affluent clients, and is related to the lever of size. This is true because as the affluence of clients increases, so does their need for additional financial products and services. Examples of these products and services would include trusts, more sophisticated insurance strategies, lending needs, estate planning and gifting strategies, and alternative investments.

The hardest part of the client relationship is turning a prospect into a client. Their has to be an “act of faith” on the part of the prospect that they can trust the new advisor that they will be working with – that the advisor will deliver on their promises and that the advisors word and actions will be aligned. Once the relationship of trust has been firmly established and the advisor delivers on promises made, it becomes much easier to expand the relationship. The most affluent clients want a “holistic” relationship with a trusted financial advisor. So the lever of expansion is a “win – win” situation, the client gets the holistic relationship that they want and the advisor increases their business without adding new clients. The reality is that most advisors don’t have a systematic approach to expanding their relationships with their affluent clients.

I have developed a formula that can lead to 100% wallet share with every affluent client. The formula is P+D+E = 100

P – Position yourself with every affluent client as the “one stop shop” for every financial need that they have. You are encouraging and assuring them that a holistic relationship with one advisor is what they need.

D – Discover all of the financial products and services that you are capable of providing that they are doing elsewhere. Also discover all of the assets they hold away from you – these will be the easiest assets you will ever bring in.

E – Expose your affluent clients to ways they can work with you during your monthly contact. Share new ideas: products and services you can offer them that they are not doing with you now. Additionally, make suggestions about transferring all or a portion of the assets held away to you.

If this formula is followed on a consistent basis you will be able to achieve the Lever of Expansion and gaining 100% wallet share from your affluent clients. The long term goal is to have 50 to 100 million dollar clients and 100% wallet share (two levers combined) which will translate to a multi-million dollar practice.

Lever of Loyalty

The lever of loyalty is the understanding of the value of having a loyal client. Russell Alan Prince quantified the value of a loyal client in his book, *Cultivating The Middle Class Millionaire*. He surveyed a large number of $500,000+ affluent individuals and categorized them into four levels of satisfaction – not satisfied, satisfied, very satisfied and loyal (with loyalty being the highest level of satisfaction). He found that the loyal clients did on average three times more business than satisfied clients, generated eight times more referrals, on average added over $300,000 in additional assets annually, and indicated they had no intention of leaving their current advisor. Based on Prince's findings, I believe that every advisor's objective should be to have all of their clients in the loyal category.

There are six primary drivers that produce loyal clients:

1. Having a manageable number of relationships – as stated in the lever of size, that number is between 50–100. It takes at least ten hours a year of committed time to produce loyal clients. One hundred clients add up to 1,000 hours a year, which represents 50% of the time most advisors work.

2. Becoming a Shareholder in their life – this represents the highest level of trust, which is when the client believes the advisor cares about them at the deepest level. This takes the relationship far beyond professional and makes it personal.

3. Proactive Contact – The number one reason that clients leave their advisor is lack of consistent contact, especially during volatile markets. Client research shows that affluent clients need to be contacted at least once a month to be in the loyal category.

4. Performance – Measurement of performance is more tied to reaching client goals than just annual returns. Loyal clients believe their advisors are instrumental in their ability to reach their long-term financial goals.

5. Problem Resolution – Loyal clients want their problems fixed in a timely fashion. They understand that problems can occur but have high expectations that these problems will be fixed and that the resolution will be communicated to them.

6. Under Promise and Over Deliver – For a client to be loyal the advisor must deliver more than what they say they will do – their actions must consistently exceed their words.

Lever of the Team

The lever of the team occurs when the advisor commits to building a team that can provide them with the support they need to enable them to focus on the most productive tasks. If an advisor values their per hour rate at $500/hour, then anytime they can pay $30/hour for a team member to enable them to do more $500/hour work they are able to make more money for the entire team.

There are only three activities that are $500/hour tasks:

1. Development and implementation of Wealth Managment Process
2. Proactive contact with Core Affluent Clients
3. Business Development

Every other task can and should be dedicated to another team member. If the team doesn't have capacity to handle additional tasks a new member of the team needs to be added.