ALTIUS
LEARNING

The Biggest Lever

The most successful professionals in the financial services industry build their practices around the concept that the real leverage is the size of each client relationship rather than the number of client relationships. It doesn't take any more time to invest $100,000 than it does to invest a million dollars, but the advisor makes ten times as much for that same time spent. The motivated professional, therefore, is better off focusing his or her marketing efforts on fewer, wealthier individuals.

We are often asked by experienced sales professionals how they can double their business. The short answer is to double the wealth of the individuals that they bring into their practice. For example, Taylor Glover, one of the financial services industry's most successful producers, exemplifies the "Leverage is Size" success principle. He started his career with a major financial services firm right out of college. When asked by the manager who hired him how many people he knew with money, Taylor responded, "Fifteen that have at least $1,000."

Thirty years into his career we asked him what the assets were of his current investor, and he calmly stated, "My minimum is $100 million of investable assets." When asked how many people he worked with that met his minimum, he said, "About 15."

The power of this story is that Taylor started with 15 individuals with $1,000, and 30 years later worked with 15 individuals that had at least $100 million. Taylor followed the "Leverage is Size" principle and never stopped increasing the affluence level of the individuals he strived to work with.

The first step to utilizing the "Leverage is Size" principle is to shift your marketing to focus on an increasingly affluent client base. The second step is to build a practice that will both attract and keep affluent individuals. When the two steps come together, you will have successfully implemented this principle.

Step One: Focus on an Increasingly Affluent Client Base

The "Leverage is Size" principle requires that financial advisors limit their services to a smaller number of affluent clients. The mistake that many professionals make is that they try to work with as many clients as possible while they are searching for affluent clients. This is a flawed system because all relationships require the same amount of time, and time spent with less affluent clients is at the expense of marketing and servicing the best clients. Instead, we suggest that you focus your attention only on your most affluent clients.

Many experienced professionals who want to embrace the "Leverage is Size" principle struggle with what to do with the smaller relationships as they reinvent themselves and their practice. Our advice is to segment existing clients into three tiers:

Tier 1: Clients that generate 80% of the advisor's business. The old 80/20 rule applies – 20% of clients typically generate 80% of the business. The number of clients in Tier 1 is usually not very large, and they should receive the highest level of service possible.

Tier 2: Clients that have not generated as much business as a Tier 1 client, but have the potential to become a Tier 1 client. Tier 2 clients should be treated like Tier 1 clients and be exposed to the many opportunities they can increase the amount of business they do with you, and the new assets that they could bring into your practice. Tier 2 clients should be evaluated every 12 months. Those that respond to new opportunities should be moved up to Tier 1 status, while those who don't should be moved down to Tier 3.

Tier 3: Clients that don't generate much business and don't have potential to grow. Tier 3 clients represent the lower half of the advisor's practice and generate less than 20% of the total business. These clients should be divested in a professional manner as quickly as possible. Another professional on the team or in the office that is willing to work with smaller relationships should be given these Tier 3 clients. The Tier 3 clients should be told they are being transferred to another professional that is capable of providing them with a higher level of service.

Establish a New Minimum

The next step is to establish a minimum amount of investable assets for the new relationships that will be brought into the practice. Our rule of thumb is to market to individuals who are at least as affluent as the average current Tier 1 client. These minimums should be positioned with potential referral sources, and pre-screening should be done whenever possible when marketing to prospects.

Step Two: Courage, Confidence, and Service

Several of the top advisors admit that they reinvented themselves throughout their careers. This reinvention was the process of developing marketing strategies that put them in front of more affluent individuals.

Before you develop or follow any of our specific marketing strategies, know that pursuing affluent prospects first requires both courage and confidence. Working with the affluent requires courage because it both takes the financial advisor out of his/her comfort zone, and requires a higher level of expertise due to these clients' more complex needs. This translates into having a real commitment for continuous professional development.

What's more, as the average affluence goes up, so do the client's expectations. Affluent individuals are used to being serviced at a very high level. These are individuals who prefer to stay at the Ritz Carlton; they expect to have all their needs met and are willing to pay a premium for that. If those service expectations are not met, they will find another financial advisor that will meet their particular and exacting needs.

The difference between staying at a Motel 6 and the Ritz Carlton is not the basic product –a safe and clean bed – but the amenities that define the overnight experience. The successful financial advisor is essentially in the same business as the Ritz Carlton: to meet and exceed the high expectations that affluent people expect.

The good news is that once you've reached an increased expertise and the ability to provide exceptional customer service, your confidence in your abilities will naturally grow. The affluent expect leadership and conviction from their advisors and are attracted to the confidence and competence that a true professional exhibits.

One of the regrets many of the top advisors featured in the book, THE MILLION DOLLAR FINANCIAL ADVISOR, shared was that they didn't pursue servicing more affluent individuals earlier in their careers. You don't have to wait either. We encourage you to embrace the "Leverage is Size" principle and see for yourself how quickly your practice will grow.