

GROWING YOUR WEALTH MANAGEMENT PRACTICE

“GROWTH IS A CHOICE” IN ACTION

BY RICK CAPOZZI

INTRODUCTION

Over the past 30 years, the wealth management industry has experienced a phenomenal growth as well as a profound transformation. The catalysts of this transformation include the rise in client needs, greater level of client sophistication, more investment choices, advanced technology and increased regulatory presence.

These changes have created an incredible opportunity for Advisors. An Advisor* has a profound opportunity to make a significant difference in the lives of others. The best Advisors in our industry haven't just embraced the changes that are transforming wealth management: they have turned the speed of business change to their advantage.

*change is inevitable
growth is a choice*

They have done so because they know that while change is inevitable, growth is a choice. Growth does not happen by chance. It cannot to be assumed and no business, ever, should be put on auto-pilot. **Growth is a conscious decision to continually look for ways to improve and develop.**

The global wealth management industry is poised for significant growth over the next 5–10 years. Investable assets are expected to reach \$112 trillion by 2016. We will witness the greatest transfer of wealth in history — its value in the U.S. alone is estimated to be over \$20 trillion. This growth is an enormous opportunity for anyone in financial services who runs their business like a business.

With growth comes increased competition, commoditization and consolidation, as everyone works to capture a greater share of the high-net-worth (HNW) market. In such an environment, margins are hard to maintain. The only way to protect profitability in the advice business is to be relentless about asset growth, add real value to every key relationship and add services to your model. Simply offering investment solutions is not wealth management.

the best Advisors are relentless about putting their clients first

The best Advisors are relentless about putting their clients first, because they realize the only way to differentiate is by building genuine relationships with their clients, offering valued advice, providing excellent service and helping clients reach their goals. They have a process, a vision of who they want to be and where they want to take their business. They are true wealth managers who are client-centric, run their business like a CEO and follow a holistic consultative approach to engaging and servicing clients. They are more likely to be on a team that is highly efficient, effective and disciplined in its practice of delivering world-class service and valued advice. They understand the business is no longer about one product over another or transactional versus fee-based models: it is about being relevant and offering valued advice to clients who are willing to pay for the services offered.

It is these Advisors who will continue to evolve and dominate the lion's share of the high-net-worth market.

**Advisor, in this white paper, refers to anyone who is managing a book of business, including FAs, PMs or RMs*

WHAT BUSINESS ARE YOU IN?

“If you are lucky enough to find a way of life you love, you have to find the courage to live it.”

— John Irving

Successful Advisors know who they are and who their target market is. Their differentiator is simple: they do not attempt to be all things to all people. Instead, they are all things to some people. They do not attempt to market themselves to a mass audience. That is an overcrowded arena in which everyone becomes your competitor. Focusing your expertise with laser-like precision both reduces your competition and helps you to effectively target your defined market.

be all things to some people

KNOW YOURSELF

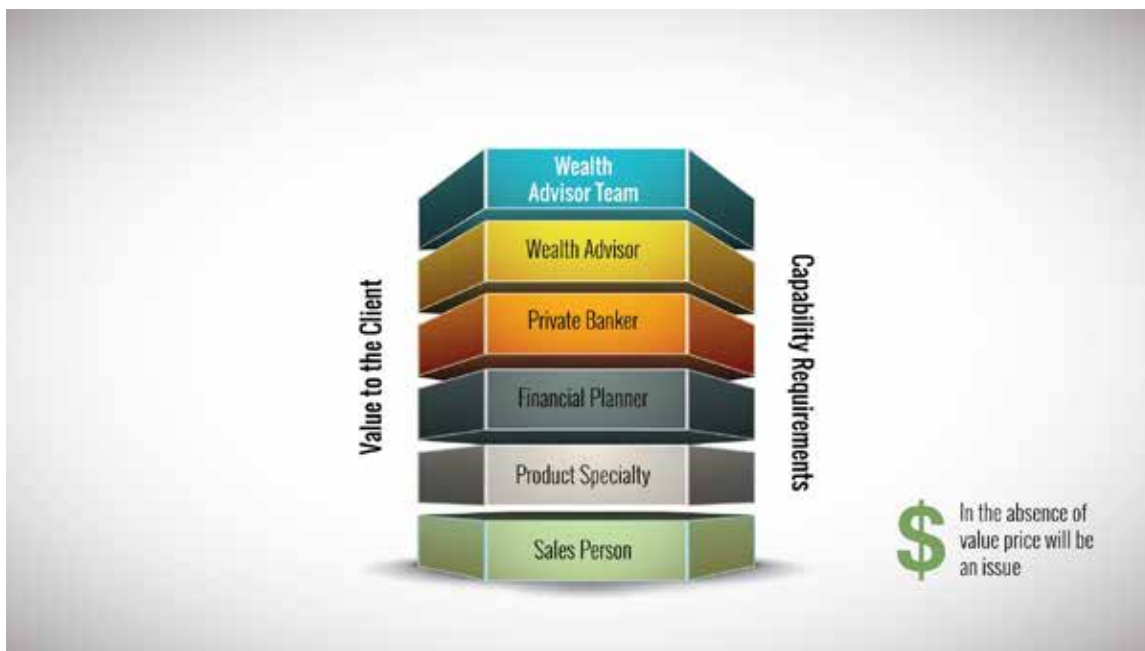
The first step in this process is to define your business model and be very clear on your core competencies, your investment philosophy, your service model and your marketing strategy. Once you have a clear process and the “authentic you” is correctly branded, you’re in a much better position to know your value, articulate it and price it accordingly.

- **“What business are you in?”**
- **“What makes you different?”**
- **“What processes or strategies would you use with my total financial picture?”**
- **“How are you going to accomplish my goals?”**

Most importantly, prospects want you to **demonstrate** — not just verbally communicate — how you will address their unique needs. The relationship between an investor and his or her money is complex, private, and in many countries around the world, completely secret. The best Advisors break down barriers in their clients’ minds and persuade them to express their dreams and fears, while also encouraging a deeper level of trust in sharing what money really means to them.

the best Advisors break down barriers in their clients’ minds

Before you try to direct the success of your clients, however, make sure you have clearly determined your own direction. There’s a reason most businesses are based on a sound business plan that includes and Change The Conversation: Ask The Right Questions



Source: Capozzi Advisory Group, LLC

Many Advisors will choose to remain generalists or product specialists, and that's a fine career choice. But savvy wealth managers generally have an opportunity to control more assets, attract more business, and juggle fewer clients. They also tend to enjoy a higher quality of life, because they help create peace of mind for the client and themselves. Do not make the mistake of thinking that just because your firm offers a full line of wealth management services and you choose *not* to take full advantage of them, you are not a true wealth manager.

LEVERAGE REFERRALS

Managing wealth provides an enormous opportunity for you to achieve self-satisfaction, client satisfaction and loyalty, which in turn will draw additional assets from your existing clients and promote a steady stream of referrals. The true wealth manager tends to receive more referrals and enjoys strategic alliances with both accountants and attorneys. Referrals are the most important method by which affluent individuals find their Advisors: **54.2% of surveyed clients were referred by their accountant or attorney and 30.1% were referred by another client of the Advisor.**

referrals are a key factor in a client's selection of an Advisor or institution

Even though referrals are a key factor in a client's selection of an Advisor or institution — and despite the fact that most people are more than willing to provide one — only 18% of clients have actually been asked for a referral. In fact, 70% of clients with \$1 million or more in managed assets are willing to provide a referral.

DELIVER EXCEPTIONAL SERVICE

“Quality is never an accident; it is always the result of high intention, sincere effort, intelligent direction and skillful execution; it represents the wise choice of many alternatives.”

— William A. Foster

There are more than 400,000 financial professionals in the U.S. as of this writing. Most use similar products and business platforms, working within many of the same markets you do. With this concentration of availability, how well do you set yourself apart? Are you a salesperson or an Advisor? If you’re not sure, ask yourself the following questions:

- **“Do I do more listening than talking?”**
- **“Do I ask great questions?”**
- **“Am I focused on building long-term relationship?”**
- **“Am I selling the next SMA, next model portfolio, or trying to select the next growth stock?”**

An Advisor’s answers to the first three questions is “Yes.” A salesperson has the inverse results.

the number one reason clients switched Advisors is because of service relationship issues

At the end of the day, **it is all about the client experience**. We have to make it easy for clients to do business with us, and it is in this area that we as an industry most need to improve. Advisors need to be their clients’ biggest advocates and clear the path for them, providing solutions that the client will value — not ones that you or your firm value.

Advisors need to be their clients’ biggest advocates

LITTLE THINGS MAKE A BIG DIFFERENCE

Offering a well-defined service model entails a clear understanding of client goals, a descriptive financial plan, regular client contact and periodic portfolio reviews. After an in-depth discovery meeting, presenting the client with a proposal and an investment policy statement will set clear expectations and lay the foundation for you to deliver exceptional service. Interestingly enough, “little things” mean a lot in these endeavors. Answering phone calls before three rings, responding to e-mails in a timely fashion, having the receptionist greet clients enthusiastically and by name and, of course, providing clients “extras” are generally greatly appreciated.

as a client’s need for holistic advice heightens, a client becomes less tolerant of service shortfalls.

The hallmark of superior service is clear communication and expectations. During your first meeting with a new client, explain clearly what you do, who you do it for, and what makes you different from other wealth managers. Clients don't just care about products. They care about their entire client experience, which begins with the person that first answers their calls. Is he or she enthusiastic? Do even the smallest requests receive a high level of attention? Does the client really "matter"?

COMMUNICATION RULES

mitigate fears

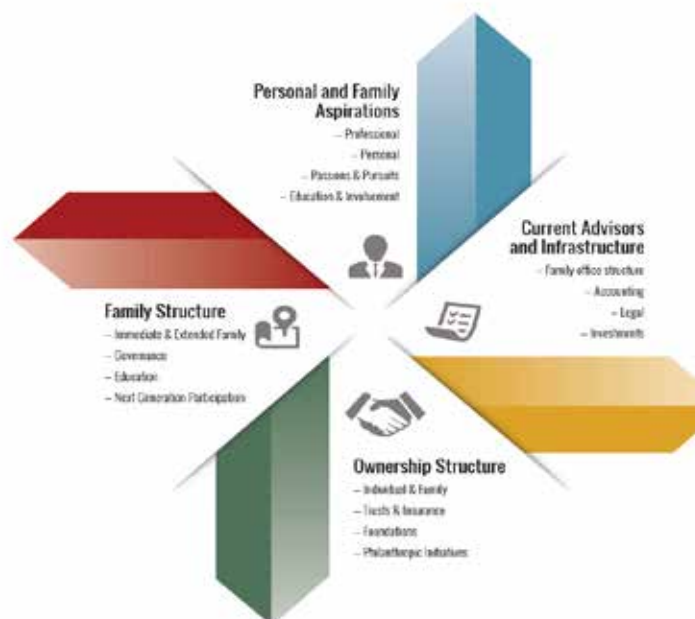
Communication creates the infrastructure for building an ongoing relationship. Do you have a strategy in place that ensures proactive contact with the right clients at the right time?

FORMULA FOR SUCCESS

To create a habit of exceptional service, begin by spending time obtaining a clear understanding of client needs, wants and objectives. Determine a course of action only after fully understanding the client. The discovery meeting should be 80% listening and asking great questions. How will you get to know your client if you are the one doing most of the talking?

determine a course of action only after fully understanding the client

it is on "little things" that great client relationships are built



Source: Capozzi Advisory Group, LLC

THE TRUE VALUE OF A CLIENT

“Knowing yourself is the beginning of all wisdom.”

– Aristotle

A team with a \$200 million book may have the opportunity to gain four to five times more assets through referral opportunities — or by gathering additional client assets at other firms. Once you view the math from a bigger-picture perspective, it may help you see the overall value of a single client.

the future Advisor will need to fully understand the distinctions among many highly segmented groups of investors

CLIENT SEGEMENTATION

Advocates, Clients and Prospects

Stars, Lost Causes, Vulnerables and Free Riders

“

IT'S A MULTIGENERATIONAL BUSINESS

The wealth management business is both art and science, and the best practitioners draw on both to build and deepen client relationships. Very often, the client relationship is with the head of the household and does not extend to the spouse and children. Without having a strong relationship with all the members of the family, if the decision-maker passes on, you may be scrambling to keep these accounts, with an uncertain outcome — despite what may have been years of solid relationship-building.

unless you have developed a strong bond with the client's heirs, you are always at risk of losing that relationship

YOU ARE THE PRODUCT

“Too many people overvalue what they are not and undervalue what they are.”

— Malcolm Forbes

In the absence of value, price will always be an issue. You are the product, not the stocks and bonds or money managers you recommend. You will not win business when you underestimate your value. However, if you demonstrate competence, project confidence, and act with integrity, your clients will feel comfortable discussing their financial needs with you.

demonstrate competence, project confidence, and act with integrity

Since the beginning of time, people have preferred to do business with people they like and trust. Yet far too many Advisors put on masks when they meet with clients. They are afraid to reveal the true person. They are afraid of being vulnerable. But being vulnerable — showing that you are not super human, that you have fears, that you have made mistakes — is an essential part of being human, and of showing your client your humility.

Humility is a wonderful thing in an Advisor — when tempered with competence and confidence. Successful Advisors are as comfortable with revealing their fears and showing their vulnerability as they are in highlighting their confidence and competence.

*understand a person’s fears, dreams and their hoped-for
the wealth management process should include a commitment
to contact clients a minimum of 18 times a year*

GET IN THE ZONE

*“Your vision will become clear only when you look into your heart.
Who looks outside, dreams. Who looks inside, awakens.”*

— Carl Jung

In order to achieve optimal performance, regularly ask yourself, “Are you running the business, or is the business running you?” Advisors are often asked to put together a business plan outlining their vision, overall plan, strategy and tactics for attracting clients and assets. It would be wiser if Advisors were asked to put together a life plan, one that would include the impact of their business on their personal, social and spiritual life. Ask yourself:

- **What do you value most in life?**
- **What drives you?**
- **What principles guide your decisions?**
- **What do you ultimately want to achieve in your life?**
- **What’s your mission in life?**
- **What’s your vision of your future?**

Creating a life plan helps you keep all aspects of who you are in perspective, and allows you to measure your performance based on truly important goals. Naturally, you should adjust your life accordingly when those objectives aren’t met, but it’s also essential to reward yourself and your family when you do attain your goals.

DEFINE YOUR SUCCESS

Success means different things to different people. You may measure success by wealth, performance, fulfillment or by a balance of all three. **Wealth is not things, it is a mindset** — it is a set of thoughts. When you maintain a balance at home, in personal relationships, in your health and at work, you have created an optimal foundation for performance. You now have the right energy.

*when you maintain a balance at home, in personal relationships, in your health
and at work, you have created an optimal foundation for performance*

If you approach difficulties with a balanced perspective, you will be able to weather them more easily and succeed over the long haul. Advisors who have been in the business for a number of years understand the industry can be an emotional roller coaster with many ups and a fair number of downs. Over the years the business makes you wiser and more humble — *if* you learn from your mistakes. Some Advisors seek the support of other Advisors, managers or mentors to discuss their challenges and life goals and keep their overall perspective in balance.

STAY GROUNDED

Remember what is, is and what is not, is not. For many successful Advisors, this is the mantra that changes — or grounds — their lives. In other words, they understand what they can control and what they cannot. They also understand the difference between cause and effect, and the difference between *making* things happen versus *allowing* things to happen to you. Stephen Covey said it best: **“I am not the product of my circumstances. I’m a product of my decisions.”** Getting emotional about situations or circumstances you cannot do anything about is a waste of good energy and time.

*by respecting the balance between your work life and your personal life,
you can achieve a greater measure of
physical, emotional and spiritual harmony*

MOVING FROM GOOD TO GREAT TAKES COURAGE

*“We shall have no better conditions in the future
if we are satisfied with all those which we have at present.”*

— Thomas Edison

In *Good to Great: Why Some Companies Make the Leap... and Others Don't*, author Jim Collins says, **“Good is the enemy of great.”** It takes a tremendous amount of courage and maturity to change the *status quo*, especially when the *status quo* is pretty darn good. However, if you're not moving forward in this business, you will soon find yourself hurtling backward. There is no room in the wealth management industry for being static or passive. The universe of financial products and services continues to expand and makes keeping up with technology and product innovation an absolute necessity.

there is no room in the wealth management industry for being static or passive

DEFY COMPLACENCY

Advisors who have experienced relatively good production and performance and are satisfied with their current income tend to stop prospecting, and, as a result, their businesses plateau after about six to eight years. The asset growth of most Advisors is flat-to-negative year after year, because they get comfortable and start to coast. Defying complacency requires you to constantly redefine your business, goals and most profitable clients. You may have to create a new business model, change your infrastructure, or seek advanced training in areas in which you or your team may be lacking in order to move forward with a continuous sense of momentum.

SET GOALS

Goal setting is the very core of what drives our ambition, whether it is in our finances, our family, our health or our contribution to society. In *Avalanche: The 9 Principles For Uncovering True Wealth*, Steve Sanduski and Ron Carson assert, “Goals must be specific, measurable, achievable and compatible. They should have a clear desired outcome, be quantifiable, obtainable with a 50/50 chance of success, and be in harmony with your values, meaningful purpose and mission.”

Goal setting consists of three basic steps:

- 1. Objectively look at where you are and decide what you want.**
- 2. Decide how and when you are going to do it.**
- 3. Commit yourself to achieving it.**

Setting goals helps us measure our progress and stay on course to achieve our desired aim. If we are not moving closer to our target, then we must reevaluate and change our course of action to get back on track.

*setting clear goals and having the confidence and courage
to take action will help you overcome obstacles*

CONQUER FEAR

We know by studying successful people that high performers fail all the time. They take calculated risks, learn from their mistakes and then move on. This healthy blend of confidence and humility is fueled by a strong vision of where they would like to be, and failing is viewed as just a detour on the path to success.

high performers fail all the time

Unsuccessful people never fail — because they never try! They don't try, because they are afraid that they will fall and not have the courage and confidence to get back up.

On the other hand, high achievers pay no attention to this scoreboard mentality. They do not tally how many times one succeeds versus fails. They are not driven by the desire to be accepted. They are driven by a greater purpose, which is to reach their full potential and “play to win,” while others “play not to lose.” It's a big difference, and the resulting impact on their practices is tremendous. Because they are open to possibilities, they try new things — they keep on growing.

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SOME THINGS ARE SIMPLE

Successful Advisors don't overcomplicate anything. They apply the same basic investment rules — to growing their own practice as well as to managing the assets of their clients — as the masters:

Rules for Investment Success

TURNING KNOWLEDGE INTO ACTION IS POWER

*“Don’t measure yourself by what you have accomplished,
but by what you should have accomplished with your ability.”*

— John Wooden

For the confident Advisor, embracing change is an opportunity to grow. For others, however, change may be intimidating, because they are comfortable and fear what they may lose.

Advisors may be resistant to a new business model, new technology, new products or services, or a new team formation. But your savvy clients will be aware of these advancements, and keeping up with these trends will help you keep up with your clients, and more importantly, ahead of your clients. Being aware of new trends isn’t enough. The old adage “Knowledge is power” is only partially true. **Turning knowledge into action is power.** Unfortunately, it is at this last step — action — that most Advisors stumble.

CANDIDATES FOR SUCCESS

Ultimately, successful Advisors are not necessarily the ones with the impressive sounding degrees or the highest grade on this or that exam. They are people who can think on their feet, who genuinely like people, who can communicate effectively, and who are always looking to improve their skills.

*successful Advisors can think on their feet, genuinely like people,
can communicate effectively and are always looking to improve their skills*

Successful Advisors know that they need mentors. A true mentor offers an impartial view, builds our confidence, is nonjudgmental and helps us push forward with our intended plans. You are never too old to be a mentor—or to need a mentor. (Remember? Successful Advisors never stop learning.)

Many organizations spend millions of dollars on learning and development and run fairly effective programs, but that’s not nearly enough to keep pace in this dynamic industry. It is up to the individual to stay at the forefront of changes that will affect their clients. Learning does not simply mean reading *The Wall Street Journal* or *Barron’s*. It is a lifelong process driven by a continual thirst for knowledge, a desire for improvement and turning that knowledge into action.

*learning is a lifelong process driven by a continual thirst for knowledge,
a desire for improvement and turning that knowledge into action*

BUT WHAT HAVE YOU DONE LATELY?

Lifelong learning is continuous, never-ending learning. The degree you earned 10 years ago — never mind two or three decades back — is not enough. Consider what you’ve done *recently* to improve your practice or your performance. If you already have a highly effective team in place, what training have you done together to better serve the client?

*Charles Darwin said, “It is not the strongest of species that survive, nor the most
intelligent that survives. It’s the one that is most adaptable to change.”*

LEADERSHIP MAKES A DIFFERENCE

“Nearly all men can stand adversity, but if you want to test a man’s character, give him power.”

— Abraham Lincoln

Good companies with long-term views to strategy and success continue to invest in their people and support their efforts. But not all do this at a sufficient level, and even within those that do, that top-down, mandated investment may not be enough to ensure an individual’s success. The highest earning Advisors are able to “see around the corner” and anticipate change, which they address by investing in their own businesses. **Take responsibility as a manager, regional director, president or Advisor and invest in the most valuable assets you have: your people.** Focus on helping them be productive, lead them to happier lives and build a culture that is built on learning and performance. Because, to paraphrase the great Peter Drucker, culture will eat strategy for lunch any day of the week.

culture will eat strategy for lunch any day of the week

INVEST IN YOURSELF

Successful Advisors believe so strongly in their own future that they are willing to ante up now. They know every dollar put back into their business will produce sustainable growth in the future. This principle doesn’t just apply to larger practices with staffs of ten or more, but to a solo practitioner who recognizes that having his or her own assistant, for instance, would create tremendous advantages. This is about taking personal responsibility for the rate of growth one chooses and then making it happen.

*every dollar put back into their business
will produce sustainable growth in the future*

Investing back into the business can also mean different things to different Advisors. It could mean a comprehensive targeted marketing campaign, or buying another wealth manager’s book of business. If you aren’t reinvesting in your business, then you are underestimating, undervaluing and underrating your business, your team, your firm and, of course, yourself. **Are you a growth stock? Would you invest in your stock?**

Breaking Through



THINK LIKE A LEADER

Making the distinction between being a salesperson and being a leader is vital to your success. A salesperson is only interested in the transaction and the short-term, while the leader recognizes that every decision affects not only the short-term but shapes the long-term viability and success of the entire business.

as the leader you create, promote or allow what goes on in your environment

Once you make this shift in mindset and act and think like a leader, an entire world of new possibilities emerges. Taking full responsibility for everything that occurs in your business, from transactions to relationships with clients, coworkers and employees, helps you overcome the limitations posed by short-term thinking and allows you to operate from a position of power. As the leader you create, promote or allow what goes on in your environment— and that’s a powerful role indeed.

THINK LIKE AN OWNER

Leaders act as if they own the business whether they are in fact owners of their practice or not. They create a culture that empowers people to be creative and operate on their terms. In the independent space, you have no option but to act as an owner. But even in the bank and trust world, as well as within the wire houses, tremendous opportunities exist for owner-minded leaders who takes responsibility for their practices and the business. Once you elevate your vision from employee to owner, every decision you make will be different. You will think and plan out every action and weigh the impact it has on your business right now and in the future. Since time is so valuable, the leader is apt to spend it more wisely.

leaders own their practices: they act like owners, not employees

As the leader, you understand your time is better spent reviewing and improving your chief asset: your business. Once you come to this realization, you’re likely to follow the 80 /20 rule and focus your efforts on the bigger picture and activities that have a greater possibility for higher payoffs.

BE PRODUCTIVE, NOT BUSY

Leaders know their own value and the value of their time. As a result, they spend 60% of their time with the people who can help them grow their assets.

spend 60% of your time with the people who can help you grow your assets

Advisors who plateau lose sight — or never learn — this principle. They confuse being “busy” with being productive. They attend meetings that are not a business or strategic priority. They read *The Journal* cover to cover during business hours. They give too much time to prospects outside their sweet spot.

Being productive means being **focused and disciplined**. Successful Advisors and successful leaders know this and live this. They are not unconscious about hitting their goals. They examine their daily activities carefully, and cull those that do not build their business — and ensure all of their people do the same.

The wealth management business is essentially a contact sport. Each time you increase the number of contacts with a center of influence, you are making a choice to grow your own influence and your business.

*the wealth management business
is essentially a contact sport*

EFFECTIVE COMMUNICATION

“Nature gave us one tongue and two ears so we could hear twice as much as we speak.”

— Epictetus

If we stop and think about it for a second, **communication is the most important tool we have in creating strong trusting relationships with clients** and colleagues. Successful Advisors devote a lot of time to improving this important skill set. The best communicators say more with fewer words, they are active listeners, and they ask great questions.

say more with fewer words

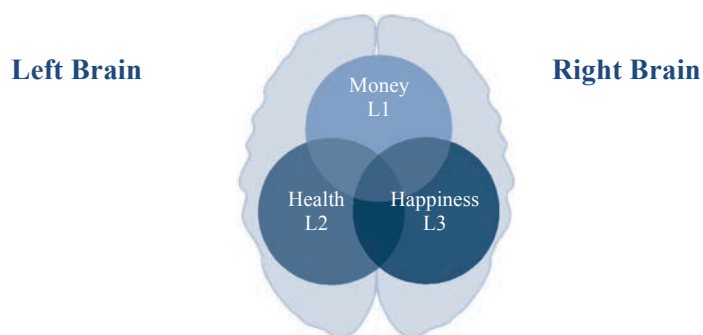
If the ability to communicate effectively is a successful Advisor’s most important tool, listening is the most important, and in many people, least developed, part of communication. Truly listening takes energy, empathy and maturity—and a high level of emotional intelligence.

listening takes energy, empathy and maturity

EMOTIONAL INTELLIGENCE MATTERS

Although logic and discipline are critical to being an Advisor, they can sometimes get in the way when you don’t use the other side of the brain to connect with clients on a more emotional level. Clients care a great deal about the numbers, of course. But it is what the numbers mean in terms of their overall goals, life and future that ultimately matters to the clients. That means presentation is often as important—if not more so—than content. Or, to put it more simply yet: how you say something is just as important as what you’re saying.

Use Logic and Emotion to Connect



A Consultative Holistic Approach

CONCLUSION

“Go confidently in the direction of your dreams. Live the life you have imagined.”

— Henry David Thoreau

Growth is a choice.

Growing your wealth management practice is a choice.

Your choice.

It is up to you to choose your next destination. If you feel you have achieved all your goals and are standing on top of the mountain with your hands up high, find a new mountain. Discover or create a new height to scale. Build something, leave a legacy, be a mentor, make a difference in people’s lives and continue building your business by bringing the next generation into this wonderful business.

everyone has something to teach you

Most of all, don’t stop learning and growing, no matter how old you are. If you are on your journey to the first summit of your first mountain, stay the course, and enjoy the journey. Be a giver not a taker. Learn from others: everyone has something to teach you. Be a student of the business and always, always put the clients’ interests first.

always put the clients’ interests first

The qualities of the most successful Advisors in wealth management are, ultimately, very simple:

- **Successful Advisors know who they are and who they want to be.**
- **Successful Advisors know their business, and what their target market and model within that business is.**
- **Successful Advisors deliver exceptional service and performance.**
- **Successful Advisors know the true value of a client.**
- **Successful Advisors know they are the product the client is buying.**
- **Successful Advisors aim for optimal performance and know how to “get in the Zone.”**
- **Successful Advisors know how to move from good to great.**
- **Successful Advisors turn knowledge into action.**
- **Successful Advisors are ever-growing, ever-evolving leaders**