

# Cultivating *the* Affluent

...and building *your* ideal advisory business

## Why This? Why Now?

After roughly two decades – almost forty years between us – studying, observing, working with, and counseling advisors, we've learned what it takes to build an exceptionally profitable advisory business. To start, we know that the happiest and most successful advisors are ones who:

- > have a clear sense of what they want, both personally and professionally, from their business,
- > have a very loyal client base comprised mainly of wealthy individuals,
- > have met the stretch goals they've set for themselves, and
- > have substantial and consistent incomes.

Our track record helping elite advisors has prompted repeated requests from other advisors for the methodologies, processes and tools behind the growth of their practices – and until now there has been no systematic way for a broad cross-section of advisors to benefit from our experience to reach their personal best. With *Cultivating the Affluent* more financial professionals will be able to reach their peak potential by drawing on the actions and behaviors of the world's best advisors. Each issue will:

- > Provide timely facts and insights on industry best practices,
- > Share unique and proprietary perspectives on key segments of the high-net-worth universe and, perhaps most importantly,
- > Include exercises and diagnostic tools designed to help all types of advisors adapt new concepts and processes into their business that can make them more successful.

## Success and Money

Advisors come to us because they want to be successful. When we ask what success means to them we get a variety of answers – client advocacy, personal fulfillment, happiness, intellectual stimulation, helping people secure their retirement dreams, achieving work/life balance and getting a promotion among them. Eventually, we uncover the common denominator of ambitious advisors: a bigger income. Income is easily quantified and tracked and it has a direct impact on a person's quality of life, so it's no surprise that it is often a barometer for success. Fortunately, our work with elite advisors shows that a more productive and profitable business usually engenders many of the less tangible aspects of success as well.

So what does it take to be successful? It takes knowledge, skills and motivation and that's where it pays to get *Cultivating the Affluent*.

### Acquiring the Knowledge You Need

To help you take advantage of the latest techniques and methodologies, we have just completed the most comprehensive and detailed study of today's financial professionals. We'll use the findings throughout *Cultivating the Affluent* so you can understand how the leading advisors, and your toughest competitors, got their edge. As a subscriber, you will get preferred access to previously unreleased data about the many aspects of advising wealthy clients – including the attributes and actions that lead to success, how to leverage your clients' satisfaction and loyalty, the optimal conditions for each advisory business model, where you might be underserving your best clients, platform dynamics that affect your success, the most common pitfalls to avoid, how to transition seamlessly between income levels and much, much more.

### Developing Your Skills

To become personally wealthy, information is simply not enough. We have taken the insights, techniques and tools from our core businesses of one-on-one coaching with elite advisors and consulting to ultra-high-net-worth families, combined them with the latest empirical research on the same two universes, and reconstructed them into skills-based systematic processes that will help you jump-start and significantly increase your business. In *Cultivating the Affluent* we will deconstruct the most effective practices of today's top advisors and help you selectively apply these insights in ways that will transform your business. There's no magic involved – just a proven

*Continued on page 3*

# Framework to Excel

Successful and skilled advisors rely on *three* areas of competency to keep their businesses healthy and growing.

- > The first is the **deep technical proficiency** to construct the most suitable and effective client solutions. The advisors we know either have the skills and experience they need or can access the expertise through their firm's resources or their own professional network.
- > The second is a high degree of **self-awareness and self-initiation**. This means a clear understanding of how you think and behave, your personal value system, your unique strengths and talents, the ability to leverage them to deliver results, and the discipline to remain focused and productive.
- > The last is a code of **practice management** that includes up-to-date knowledge of your time allocation and client profitability, the key characteristics and concerns of the affluent market, a commitment to examining and refining your business habits, and ongoing professional development.

These areas represent three distinct aspects of the advisory business that work together as part of a well-balanced practice – and are the stepping-stones to each advisor's goals. Our research and experience with wealthy clients and their advisors can be put to the best

## Just For Subscribers

- > 12 issues a year, in your choice of formats
- > Bonus material each month on a password protected website built exclusively for *Cultivating the Affluent* subscribers
- > 20% discount on *The Sky's the Limit* and all Prince & Grove titles published by CFPN.
- > 50% discount on ONE CFPN practice management workshop (a value of up to \$200)
- > Complimentary registration to one CFPN webinar hosted by Grove & Prince (a value of \$398)

use helping you build your personal and practice management aptitudes. Within those areas there are three additional components – you, your clients, and your business – that must be addressed. In *Cultivating the Affluent* we will deliver facts, observations, food-for-thought, proven techniques, critical skills, new perspectives, step-by-step instructions, case studies, and actionable ideas in *all three of these areas*.



### You Personal Mastery

*Cultivating the Affluent* will help you define and build your ideal advisory practice and become the best professional you can be for your clients.



### Your client Client Mastery

*Cultivating the Affluent* will deliver the industry's best insights on the affluent market, along with the skills needed to attract and retain them as clients.



### Your business Practice Mastery

*Cultivating the Affluent* will help you identify and navigate the business decisions and activities behind higher profitability and client satisfaction.



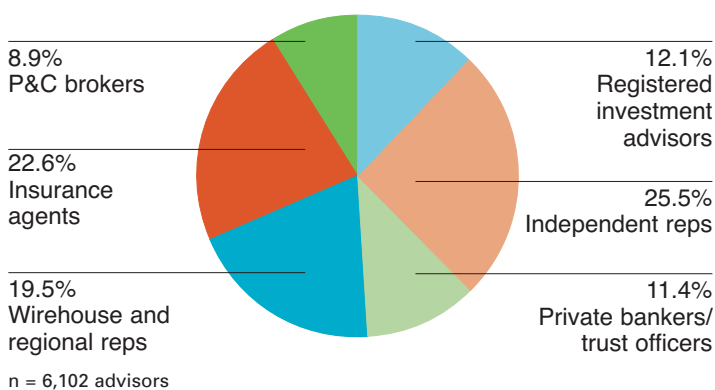


# The State of the Advisory Business

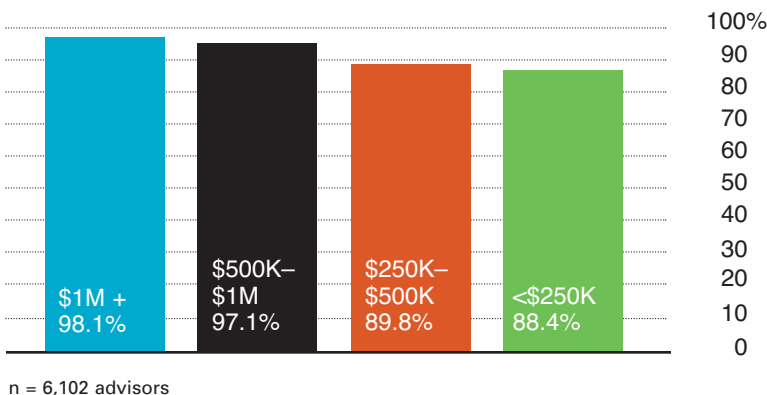
You need critical insights into the best practices of today's most successful advisors and we've got them. In the third quarter of 2007 we conducted an in-depth survey with 6,102 professionals from across the various financial fields. The common links between them were a focus on the affluent and compensation (either fees, commissions or a combination) comprised largely from the sale of financial products. Among the 6,102 study respondents many different fields were represented (Exhibit 1).

It's worth noting that nine out of ten advisors are very interested in, and highly motivated, to earn more money. And the more money an advisor makes the more ambitious they are – nearly all advisors with more than \$500,000 in income wanted to earn more, while the response rate from those with less than \$500,000 in income was slightly lower at 89 percent (Exhibit 3).

{Exhibit 1: Types of Advisors}

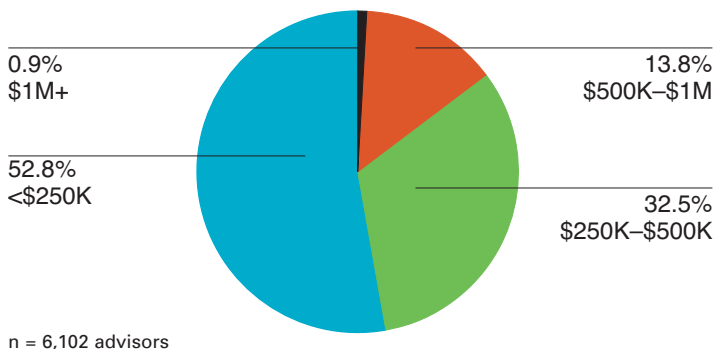


{Exhibit 3: Want to Make More Money by Income}



Next, we asked the group about their income in each of the past two years and found that about half of them made less than \$250,000 (Exhibit 2). About a third made between \$250,000-\$500,000, just 14 percent made between a half-million and \$1 million and only one percent earned in excess of \$1 million.

{Exhibit 2: Income in Each of the Previous 2 Years}



Among the group we identified four different business models. About half of practitioners identified themselves as generalists, offering a range of products and services to their clients based on product availability, trigger events, and client needs but often without an overarching financial plan (Exhibit 4). The second most common type of business model, used by 28 percent of advisors, was wealth management, another approach that incorporates a broad range of products and services. The differentiating factor is that wealth managers operate in a customized and consultative way based solely on their clients' goals and objectives. The third largest business model is product specialist, 17 percent of advisors derive 70 percent or more of their income from a single product or capability. The rest of the advisors, just 6 percent, were multifamily office providers. These are the most sophisticated practitioners that have evolved the wealth management approach into a full-scale, total solution for their wealthy clients that extends beyond the strict scope of finances.

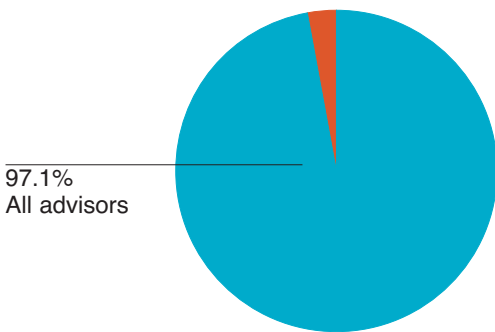




# Focused on Wealth

There's no doubt about it, wealthy clients are a hot commodity. But it's not because they're nicer people or easier to deal with – in fact, sometimes the opposite is true. It's because working with a larger base of assets usually means an increase in transaction size and fees which translates to more revenue. For instance, wealthier clients have more extensive insurance needs and they often use more credit than those

{Want Wealthier Clients}



## Business Model

Generalists	99.2%
Product specialists	93.2%
Wealth managers	95.9%
Multifamily offices	96.3%

## Income

\$1M+	90.4%
\$500K–\$1M	93.9%
\$250K–\$500K	94.4%
<\$250K	96.3%

*Advisors can offer more sophisticated strategies and sell a broader range of products and services which can result in a stronger and more connected partnership with wealthy clients.*

## Prospecting Effectively

There are as many ways to find potential clients as there are potential clients and most of them work in some way, shape or form. In fact, if you have a unique method of prospecting that has been successful for you – by all means, keep using it! Our experience tells us there are some rules of thumb about prospecting that are worth knowing. The first is that some methods are more effective based on the personal style and skills of the professional using it. For instance, a particularly eloquent, knowledgeable and persuasive public speaker might have significantly more success with seminars than someone with less refined skills. We also know that there are some methods that work better with certain types of clients. Our research with wealthy women shows that more than 80 percent of them turned to their accountant or their attorney for a recommendation when seeking their current financial advisor – so forget about advertising and direct mail if you're trying to reach this market.

## Food for Thought

If you share the goal of building a wealthier client base, what steps have you taken toward increasing the average net worth of your clients?

In future issues we'll share the methods used by leading advisors to regularly find new, wealthy clients and what you can do to increase the average net worth of your clients and close your income gap



# Your Biggest Opportunities with Business Owners

The most reliable way to become wealthy is to own a business. In fact, in a recent survey of ultra-affluent individuals 76 percent attributed their wealth to owning all or part of a public or private business. But big money is usually accompanied by big complications; most business owners face a number of issues that prohibit them from realizing and maximizing their wealth. If you are the advisor that delivers – or takes part in the development of – a solution to these challenges you can benefit greatly.

## Opportunity #1: Business Succession

We asked 412 business owners about the long-term plans for their equity stake in a business (see chart). Many didn't have a plan and were focused on the day-to-day issues of running the business. About a third planned to sell the business, 15 percent planned to transfer the business to someone internally and another 15 percent planned to retain ownership.

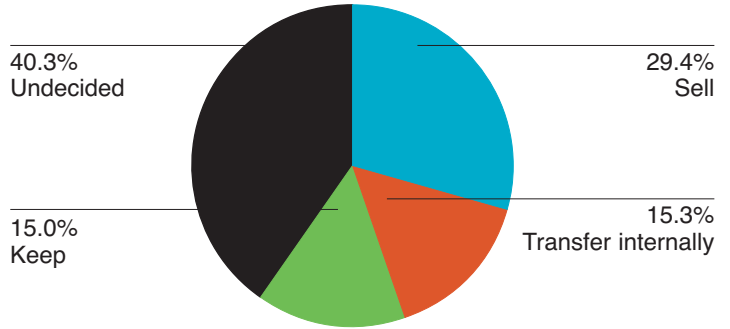
Of the group that planned to sell their stake, only 17 percent had taken steps to mitigate taxes in preparation for the liquidity event. For those planning to transfer their share to someone already involved in the business, about a third had undertaken some tax planning.

It's clear that business owners need both leadership and guidance when it comes to business succession. Many of the owners that were undecided about future ownership don't know where to begin and need the counsel of a professional to get started. Others have an abbreviated period of time in which to create a plan and without an expert taking them through the process will be woefully unprepared. Even the 60 percent that had plans seemed to have stopped there, leaving many of the key issues outstanding and placing their wealth at risk.

## Your Actions:

1. How many business owners do you have as clients?
2. What is the fair market value of their business equity?
3. Are you aware of their goals for the business? If not, ask.
4. If they're undecided, gauge their interest in taking part in a planning session to discuss options.
5. If they plan to transition ownership in some way, ask about subsequent actions they have taken in preparation for the event.
6. If none have been taken, assess their interest in saving taxes on the proceeds of the transaction.
7. If appropriate, discuss the opportunity to minimize their tax burden with advance planning.
8. If planning has begun, ask them to identify the experts they have turned to for advice on these matters.

*{Long-term Objectives for the Business}*



9. Ask for their permission to meet with these experts to understand the plan and its impact on the client's accounts that you handle.
10. Determine if there is a role for you on the current succession planning team and ask the client to facilitate the process of getting involved.

For more opportunities with business owners go to [hsgrove.com/ctabonusoct07.html](http://hsgrove.com/ctabonusoct07.html).

## Cultivating <sup>the</sup> Affluent

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# Just who are Hannah and Russ and why are they qualified to write *Cultivating the Affluent*?

We are professionals with complementary backgrounds – Russ is a displaced academic and empiricist who has built the largest, most comprehensive, longitudinal database on the affluent market and has developed a number of seminal segmentation models that have influenced current advisor training techniques and client service models. Hannah is a veteran of the financial services industry with extensive hands-on experience working with wealthy investors and their advisors. She draws on her background to adapt Russ's data in ways that allow any type of advisor, at any stage in their career, to benefit.

We have worked together for more than a decade to study the industry's leading advice practitioners and pioneer research with the high-net-worth and ultra-high-net-worth markets. Together we have penned numerous books, papers and columns on related subjects and our work is regularly featured in leading publications and media outlets such as *Forbes.com*, the *Wall Street Journal* and *WORTH*. Most recently we launched *Private Wealth* – the first and only magazine for advisors with exceptionally affluent clients.

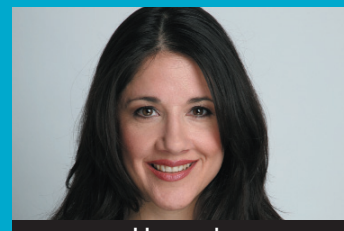
The mainstay of our joint business is coaching advisors and consulting to the ultra-

affluent. We use those experiences, in conjunction with our research, to identify what works and where there is room for improvement. Most of what we will discuss in *Cultivating the Affluent* will be based on the hands-on application of our concepts, processes, systems and tools and the success of actual advisors. And we put our money where our mouth is – we only get our full fee if our advisory clients reach their goals.

In a nutshell, we've got the experience and the insight to deliver what you need to transform your business into the ideal advisory practice.



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***Cultivating the Affluent* is written for any type of advice professional at any stage in their career – as long as they have ambitious personal and professional goals.**

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- > Portfolio Managers
- > Investment Professionals
- > Private Client and Trusts & Estates Attorneys
- > Accountants
- > Trust and Business Development Officers
- > Tax Planners and Specialists

Your clients may be wealthy, middle-class, or a combination of both. You may have reached a plateau and want to shake things up. Maybe you're just starting out and you're looking for guidance and perspective. As long as you want to build your high-net-worth client base and earn more money, this is the publication for you.

*Cultivating the Affluent* can also be a valuable tool for the managers and home-office personnel of distribution and advisory firms, and other professionals or institutions that rely on advisors for business such as asset managers and custodians.

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