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Why practice management is not enough. And why it’s time to transition.

It's time to tear down practice management programs. And rebuild them in a better way.

The role of the financial advisor has never been more vital. For the sake of improving people's financial security, we need advisors to succeed. That's why I'm personally taking this opportunity to talk about the changes we're making to our practice management program.

I believe our PM program has been industry-leading for more than two decades, but we've realized a needed shift in focus *to successful transitions.* Because all the good ideas accomplish nothing if change doesn't happen. Our years of digging in, of capturing more than 15 years of book-of-business data, and of analyzing why some advisors succeed while so many others fail, have shown us what's wrong with the practice management approach and how it needs to be transformed.

We've identified three major flaws with practice management programs:

- **1. Practice management promises results. All you have to do is change.**We're focusing on *transition services,* because struggling advisors grow weary from a lack of meaningful change. And to revolutionize a practice—whether it's from commission-based to fee-based, from tax-challenged to tax-managed, or from overextended to scalable—change is necessary. It doesn't matter how promising the results are. If the advisor can't manage the change, then the promise goes unfulfilled.So we're honing our focus on change—on transition. Because we've seen, one practice at a time, that the advisors who successfully made the move to success leaned on us throughout the transition. The thought of change was too overwhelming, so we gave them a step-by-step plan. The need to keep moving along the path was real, so we provided accountability. The unknown was intimidating, so we shared the data-driven experiences of others who'd done it before.

- **2. Practice management focuses on AUM instead of revenue.**We've been saying this for years, so excuse us if we repeat ourselves: When it comes to the success of your practice, it doesn't matter how much AUM your clients have. What matters is if they generate sufficient revenue for the time you spend on them. What matters is your advisor ROI. Advisors need to stop chasing high-net-worth clients, and start focusing on high-value clients.
- **3. Practice management creates a false wall between business models and investment models.**Confession time: We used to do the same thing. From a motivation of benevolence and objectivity, we told advisors how to structure their practices, but tried to stay agnostic on what kind of investment vehicles they should use. We created a false wall between what we call *business solutions*—what is good for their practice—and *investment solutions* —what is good for their clients. But we've torn that wall down.To be blunt, we endorse model strategies, specifically because we believe a well-structured model portfolio is the best investment solution for investors AND the best business solution for advisors. The overlap is not just inevitable; it's beneficial. When advisors spend less of their precious time building portfolios from scratch, they get more time to spend in the two areas where they provide the most value: client outcomes and relationships.

How did the industry get into this mess?

Transition is hard. We all know it. Our industry is a case study for the difficulty of change.

How many times have you heard wholesalers or industry experts tell advisors they need to transition from a commission-based approach to a fee-based, fiduciary approach? It's become a mantra. So why are so many advisors still commission-based? Let's look at the history:

1. The original carrot-styled motivation to transition an advisory practice was **the promise of a better business model.** The promise stated that a fee-based approach would be more scalable and bring in more revenue. A few advisors made the shift. But not many.
2. Then came the stick. Regulators, in the form of **the looming DOL rule**, told advisors they will be forced to prove they act as fiduciaries—acting in the best interest of their investor clients. For even their smallest, least profitable accounts, advisors will be required by law to provide significant service. Surely, this would make advisors change. But then the DOL rule backed off. Some advisors transitioned. Most did not.
3. The rise of the machines—aka **robo-advisors**—implied that for human advisors to survive, they'd have to prove their value to earn and keep business. A few more percentages of advisors made the shift to fee-based.

The problem is clearly not a lack of motivation. It's a problem of inertia. Isaac Newton's first law of motion—the law of inertia—states that every object will remain at rest until it's compelled to change by the action of an external force. Advisor practices follow this law. **Advisors who desire change need the help of an external force.** Our Transition Services aim to be that external force.

Our commitment to successful transitions

Our goal is simple: We want to help advisors build more valuable businesses and books. Here's our commitment:

- Instead of wholesalers, we strive to be transition specialists.
- Instead of focusing on AUM generation, our focus will be on the evolution of advisor practices and the increasing revenue that comes with that evolution.
- Instead of pitching the shiny-object idea of the moment, we commit to taking a data-driven approach, using forensic research into the financial attributes of each advisor's unique book—and comparing it to our nearly 15 years of confidential advisor book data.
- Instead of unreachable goals, we'll provide specific frameworks and transition plans customized for your precise set of challenges.
- Instead of going it alone, we'll partner with leading trade and research organizations, such as CIMA, CFA, CFP, and
- Instead of a *pitch-it-and-forget-it* approach, we'll walk alongside committed advisors until true transition happens, providing ongoing metrics and relationship-based accountability.

Our approach is a lot to offer. A lot to commit to. But we believe in advisors. If you want to change—if you want to transition—we're here to serve.

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