



Are Advisors Prepared for the Future?

By Terry Bell

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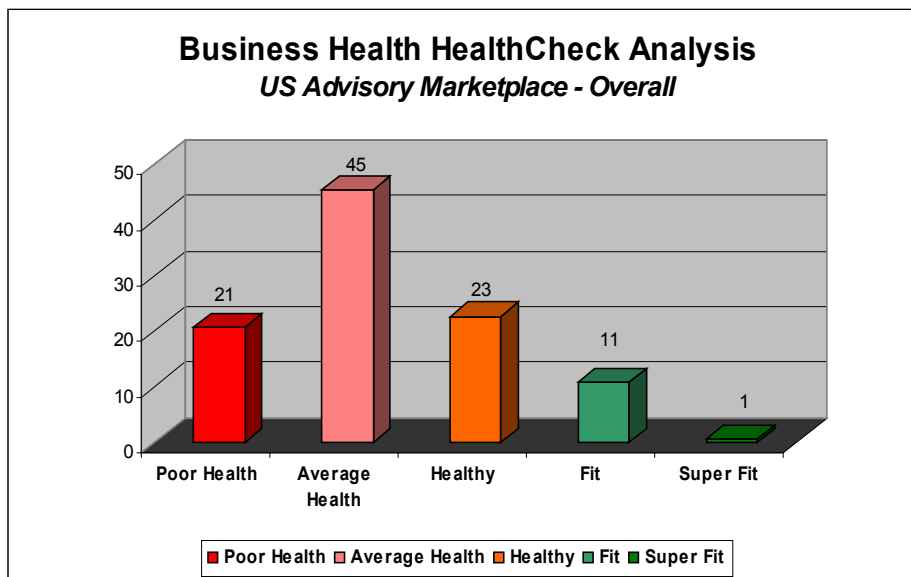
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As America's 77 million baby boomers move inexorably towards their retirement, they will turn more than ever before to their financial advisor for help and guidance. How much will they need to live on in retirement? How best to secure (and then protect) it? What about all those complex taxes and social security rules?

Given the importance of the advisor, we must all ask - **how well run ('healthy') are our businesses?** Are we well-positioned for long term sustainability? Will we continue to be around for our clients when they need us most?

My company, Business Health, is a leading international practice management group. Since 2001, we have used our innovative web-based diagnostic tool (HealthCheck) to assess the "health" of hundreds of US practices. Here are some of its key findings.

As the following chart shows, 66% of US practices have been rated as "average" or "poor health." Of greatest concern is the 21% of businesses assessed as "poor health."





While there were obviously some positive results recorded (with 12% of practices rating 'fit' or 'super fit'), there remain a number of key issues for most practices, requiring further attention and effort.

Strong leadership and direction will be needed if they are to be successfully addressed!

Client management continues to attract our attention. Our analysis reveals the average number of clients per practice is around 400 – a figure which hasn't changed much over the past four years. With the average practice having less than two advisors (according to Business Health's consolidated database) we question how it will be able to competently service their clients' evolving needs - particularly so. when 24% of practices still manage their clients through a paper based system!

These findings are particularly disappointing given the following table which clearly demonstrates the positive impact to the bottom line of a practice which segments its client base and operates through a CRM system.

	% of Practices	Revenue/Principal
Client Management		
Paper Based	24%	\$373,362
CRM Software	73%	\$546,706
Segmentation		
Don't	38%	\$420,279
Do	62%	\$558,518

Business planning is another important area for all practices. Two thirds of advisory firms operate without a clearly thought-out and articulated path for their business. Even where one does exist, progress against plan isn't tracked regularly.

If there is no plan for your business, how will you know if you're succeeding?



And, as the following table clearly shows, a relatively small investment in your time will certainly repay your efforts.

	% of Practices	Revenue/Principal
Documented Plan		
No Need	3%	\$363,021
Don't Know How	19%	\$396,463
Yes	56%	\$532,468

Given the current and likely future market conditions (have they ever looked better?), it's now time to take stock, objectively review your business and take whatever steps are necessary to ensure you capitalize on the undoubted opportunities ahead.

Perhaps it's time to talk to someone whose business acumen you respect (a business coach or trusted consultant for example)?

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