How to Recession-Proof Your Practice
October 30, 2019
by Bob Hanson

Advisors can recession-proof their clients' investment portfolio in their sleep.

But how can you recession-proof your practice to avoid excessively focusing on needy clients, suffering lower profits, or losing a big client or key employee?

Imagine you had the benefit of managing your advisory practice though hundreds of bear markets and recessions.

You'd get pretty good at it, right?

I was first introduced to strategies to recession-proof a small practice or business in 1991 by my marketing mentor, the best-selling author Jay Abraham.

I've leveraged his strategies for countless advisory practices during tough times — business reversals, economic uncertainty and volatile markets.

What can be learned from those who survived and even thrived during the 2008-2009 economic meltdown?

What works and what does not to revitalize your business during a recession?

Contact me to get my full “9-Point Checklist for Recession-Proofing Your Practice,” but here are the key strategies to adopt and one costly blunder to avoid:

1. Take a hard look at (and segment) your client base

Take a hard look at your client base.

Not just the lazy A, B, C segmentation.

I mean a really hard look.

Put each and every client and relationship under a microscope.

Identify the ones who need extra hand-holding or think “timing the market” means trying to pick the absolute up to sell and go into cash.

Chances are you may have a few if not dozens of clients who are costing you money.

A combination of low fees and lots of servicing time means they are not worth the time and are best served by another advisor.

A rule for a healthy practice is to annually move out or hand off the bottom 10% of clients and replace them at the top of the client list with the same number of ideal, highly profitable clients.

2. Use a down market as an excuse to “get growing”

A market downturn exposes cracks in your practice growth or marketing plan.

If a hypothetical practice with 100 clients with 10 highly profitable clients were to add 10 ideal clients per year, it could
double profits in less than 24 months.

Your competition’s clients may be looking to switch in a recession or down market.

After all, the majority of practices will not heed the advice in this article, so it is a good time to dislodge valuable clients from other advisors.

This may require going beyond professional and client referrals to focus on one or more niches or target markets.

As 2020 approaches, update your marketing plan for smart growth to take your practice to the next level.

3. Get more from current employees and weed out weak or problem behavior employees

Risking an unpopular view, ask more of your employees when times get tough.

If you look to some of the top services, consulting and accounting firms, they will apply the same client 10% rule I suggested above to their employees and regularly cut the bottom 10% of performers.

This fosters a culture of performance, improves the bottom line, and rewards, attracts and keeps high performers.

Don’t usher a long-time client service professional out the door just because they are set in their ways.

Ask your team how the practice can be 10% more productive; you may be amazed by the quality and number of suggestions you get.

4. Communicate in bunches like bananas

One of the practices where I interned in 1988 had a client who liked to call every day at market close and spend 15 to 30 minutes getting closing prices with whoever was available. Even the lead advisor took his call once a week.

While I understand the service aspect of this task, I was shocked the lengths this small team went through to make sure a friendly voice was on the phone each and every day around 4pm to take the call (even to the point of hanging up on other clients, ending prospect meetings early, and enlisting a green intern – me – who could barely work the Quotron).

Imagine if each client took even 15 to 30 minutes weekly/monthly/quarterly of an advisor’s time to receive the same presentation, information or story.

Most advisor websites and prospect marketing fall into this trap. Rather than taking the time to tell a compelling story to all prospects, advisors explain to each and every prospect what they meant to say on their website.

One advisor I worked with moved to quarterly market update webinars during the meltdown and spent his valuable time with clients covering individual questions and issues. He saved 200 hours a year while only losing one client who was not a good fit anyway. He went on to triple his practice over the next 36 months.

Communicating effectively in bunches with clients, COIs and prospects saves time for more valuable, one-to-one interactions and delivers your best message to key relationships.

5. Avoid this big mistake – Failing to identify at-risk clients and employees and not executing a plan of action to keep them

I can’t tell you how many times I’ve heard an advisor say, “I lost a big client this week.”

It hurts and its effects will extend beyond the pocketbook.

When I do a post-mortem, inevitably the advisor says something like, “I had a feeling but was really busy and put that thought to the side.”

That client may have asked about a succession plan, a type of planning you don’t offer, or a new investment strategy.

There are many signs. Don’t ignore them.

In fact, proactively identifying at-risk clients and putting together a multi-pronged plan of attack may be enough to show key
clients that you care and are there for them.

Ask them what they are not getting from the relationship or the next service you should offer.

The same goes for your key employees, especially if their compensation is down.

Don't hide under the desk and hope the storm will blow over.

Finally, recognize that tough times or reversals can be the fuel you need to re-invigorate your practice.