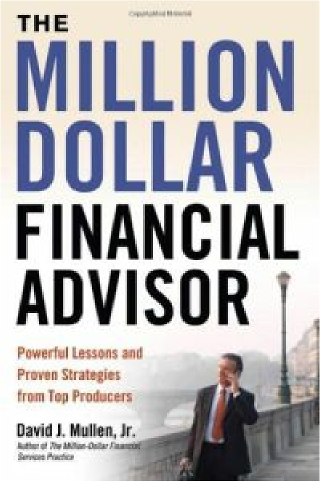

Book The Million Dollar Financial Advisor

Powerful Lessons and Proven Strategies from Top Producers

David J. Mullen Jr.
AMACOM, 2009

Recommendation

Financial advisors who aspire to generate at least $1 million in revenues annually will find solid-gold advice in this motivating, straightforward sales book. Author David J. Mullen Jr. surveyed the 15 "top producers" he got to know during his 30-year tenure in the financial services industry to tease out their secrets to building million-dollar-plus advisory practices. Mullen, who formerly trained financial consultants at Merrill Lynch, breaks down their achievements into 13 "success principles" that define the crème de la crème of personal finance. Getting to that first (or second) million takes hard work, but it is not rocket science. *BooksInShort* recommends this easy to read book to tyro consultants looking to get off the ground and to experienced professionals wanting to zoom their business into the stratosphere.

Take-Aways

- Only 1% of those who start out as financial advisors become million-dollar producers.
- Thirteen "success principles" inform the daily activities of these "top advisors":
- Top advisors maintain a professional "mind-set" and "leverage" fewer but richer clients for greater profitability.
- Top advisors invest in their education, specialize in particular niches and devote time to relationship building.
- They're always marketing, they exploit "professional networks," and they donate time and money to charities.
- Top producers hire strong teams to handle support functions so that the advisors can spend more one-on-one time with clients.
- These advisors adopt a "long-term orientation." They envisage managing the wealth of their clients' children.
- They offer counsel on all aspects of their clients' economic and financial lives.
- "Flawless" customer service results in strong client retention.
- The most successful advisors put in more hours and make more calls than their peers.

Summary

Reaching the Summit

Becoming a million-dollar-a-year financial advisor is an achievement that only 1% of those who start out in the industry attain. "Top producers" don't follow a blueprint; they build their practices in different ways. However, the 15 top money managers interviewed in this study, though of varied backgrounds and skill sets, offer vital lessons in creating profitable businesses.

> "Building a successful practice is an evolution, not a revolution, and identifying what strategies and techniques are missing from your business is the first step."

To be included in this survey, these leading counselors – granted pseudonyms to ensure their privacy – had to have started their own book of business, had to generate more than $2 million annually and had to hold clean compliance records. They responded to 70 specific questions, and their answers were revealing: Most attended public universities, none went to Ivy League schools and only two had graduate degrees. The majority came from humble beginnings. Now the average income of one of these top advisors is $5 million, with assets under management averaging around $1 billion. They maintain about 80 clients each, with an average minimum account size of $1 million. In 2008 they all reached their goals of each generating $50 million in new assets. They agree that their main focus is marketing for new business, regardless of economic conditions. Each advisor succeeded in his or her own way, but they all abide by the 13 "success principles":

1. "The Top Advisor Mind-Set"

Top advisors are confident, competitive and ethical. They focus on very specific targets and keep those goals at the forefront of their daily activities. These leaders work hard, putting in long hours and even enlisting the help of their spouses. They work efficiently, too, ensuring that at least half their time is spent talking to clients and prospects. Top producers tend to be exceptional communicators and good listeners, both in formal situations and in social settings. They exhibit a professional attitude that's expressed in their demeanor, in their office decor and even in the way their staff members dress. Clients who see their advisor's professionalism feel more secure in his or her expertise and counsel. A good advisor demonstrates leadership, passion and energy.

2. "The 'Leverage of Size' Principle"

These top-ranked advisors quickly grasped that managing a few wealthy clients is more profitable than managing many small accounts. This leverage allows you to devote more time and effort to your clients, making it easier to generate greater returns from your book of business. In turn, well-heeled investors demand individual attention, good product performance and excellent service. Aim for 100 "affluent client relationships," then work to expand those accounts. To grow your stable of prosperous clientele, exploit "money-in-motion" opportunities. For example, top advisor Rob networked with technology entrepreneurs preparing to sell their start-ups to big companies. He was ready when they needed help managing their newfound wealth. Clever advisors also prospect for customer assets held at other firms. Simply ask your client how those "held-away" securities might affect their overall portfolio mix. Dana offered a client a bond analysis, gratis. The client was so impressed he transferred all his bonds to her management.

3. "Professional Development"

To distinguish themselves from their competition, top advisors invest in education, professional designations and new technologies to improve their business. Their learning is continuous because it is a direct reflection on their professionalism. They keep up with new trends, regulations and products. Top money managers join industry associations and read specialized publications. They stay current on world and economic news, and formulate thoughtful opinions that leave a good impression on clients and prospects. Clients don't want to deal with salespeople; they want counselors who are knowledgeable and wise about comprehensive financial planning.

4. "Specialization"

While most advisors begin their careers as generalists, over time they develop specific interests, either in working with different types of people (for example, senior executives, physicians, architects) or in particular investment areas (such as retirement or estate planning). Going "deep and narrow" into a field, product or subject matter establishes your expert credentials and sets you apart from your competitors. Advisors with particular know-how are more valuable to their customers. Acknowledged expertise also leads to more referrals. All the top advisors in this study had developed a forte, such as working with specific professions or groups. To find your niche, scout out the profitable "voids" that you can fill with your specialty.

5. "Relationship Focus"

Understanding motives, fears and goals is paramount in forming solid relationships with affluent clients. Top advisors spend approximately 75% of their time building these connections, with one-third of that time grooming prospects. Advisors gain their clients' trust by being honest, open and understanding. Never start a discussion with a hard sell, but make the effort to listen for needs. Don't use email communications exclusively; pick up the phone or meet one-on-one to get clues from tone of voice and body language. Deepen rapport by socializing; take up activities that the rich enjoy, like golf. Jack spends a little more time with his older clients who crave company. Over the years, many of the advisors noted that clients reciprocated their care and attention by providing more referrals; in fact, the bonds forged in these relationships mattered more to clients than even their advisors' expertise. Top producers acknowledge that devoting time to client relationships was the "best investment" they ever made.

6. "Marketing Best Practices"

As Ross says, "You always need to be bringing in new money." Top producers market their business constantly during working and leisure hours. They think proactively about making contacts through their existing clients, their "professional referral sources" of attorneys and accountants, their work for nonprofits and their social events. All the surveyed advisors began their careers with cold calling, which taught them to persist through rejection. Rookies go through an average of 10 encounters with a prospect (by phone, email, seminar or networking) in order to achieve one in-person meeting. Then it can take up to a year to close only about one-quarter of these deals. Because 50% of new business results from client referrals, Anne asks her clients if they can offer her an introduction to her targeted prospects. Your specialty niche can raise opportunities for "warm calls" from your networking at association meetings and conferences. A top producer should strive to acquire 10 new million-dollar-plus accounts annually; getting just three still makes for a good year.

7. "Professional Referral Networks"

Wealthy people trust their lawyers and accountants for advice on investment professionals, so it makes sense to cultivate contacts with the attorneys, bookkeepers and investment bankers who cater to the moneyed classes. Ask your clients for introductions to these important "influencers"; become their resource for financial information they can use in their own practices. Then leverage these relationships for a steady stream of referrals. Charles became a "teacher" by giving presentations and "white papers" on topics such as bondholders' tax considerations, alternative investments and retirement planning. His goal was to "bring the investment world to his professional referral network of influencers and share how that was relevant to them and their clients." Over time, one accountant alone referred 35 new clients to Charles.

8. "Nonprofit Organization Involvement"

Arts, medicine, civic and alumni nonprofits offer top producers an opportunity to interact with rich people around a common interest. Top advisors typically commit five hours a week to their charitable work. Organize, raise funds or even manage the not-for-profit's money to demonstrate your financial acumen. Work your way to a directorship where you can develop connections with other board members. Charities expect their board members to donate time and money; top advisors readily contribute as much as $10,000 and consider it an investment in marketing.

9. "Long-Term Orientation"

Developing relationships with wealthy clients takes time; top advisors look as far as 25 years into the future, to envisage managing money for their clients' heirs. This long-term outlook dictates a holistic approach to "wealth management," which means offering exceptional service and avoiding "the product of the day." Almost all the advisors started out as brokers charging by the transaction, but each now assesses fees based on a percentage of assets managed. This provides a constant revenue stream based on growing clients' nest eggs over the long haul. Top advisors put back an average of 15% of their total compensation into their businesses, allocating that reinvestment to their employee payroll and to travel, entertainment and charitable expenses.

10. "Creating a Team"

Teams provide support for financial advisors and free up their time to spend with clients and prospects. A team's "vertical" structure consists of a top advisor as the senior leader, with junior partners, analysts and administrators as the base. William "runs his business like a doctor's office"; staff members schedule and prepare meetings and welcome clients to his office, then William enters to conduct the meeting. Top advisor team members get good pay, so they tend toward longevity, which is critical in an industry where staff turnover can disrupt client service.

11. "Wealth Management"

Top advisors take an inclusive financial approach; they act as their clients' "quarterback" to incorporate and direct all aspects of their economic lives. Top advisors use specialists to provide estate planning, asset protection, liability management, banking and tax services to complement their investment strategies. Wealth management practices generate stable relationships, improve client retention and attract more assets. Top advisors like John compile customized client financial plans that are regularly updated. Some of Joseph's best clients even ask his advice on major purchases. All successful top advisors acknowledge the importance of a conservative investment style to safeguard their clients' wealth.

12. "Commitment to Service"

Many clients consider "flawless service" more important than investment performance, and "raving fan" clients bring in additional assets and referrals. Top advisors proactively maintain regular and frequent contact (at least monthly by phone and at least quarterly in person), especially in bear markets. They overstaff to ensure service capacity and invest in client management technology. "Problem resolution" gets top priority. Greg believes in being "available 24/7" to his clients. And don't forget "the extra touch" of acknowledging client birthdays or other important milestones.

13. "Time Management"

Top producers share a "puritanical work ethic," putting in more hours and making more calls than their peers. John says that during "100% of my waking hours, I'm thinking about marketing." Top advisors work smart by delegating, prioritizing and "time blocking" – attending to related activities like prospecting, client reviews and administrative functions at set times. Because time management is essential in building a million-dollar business, keep a "time log" in 30-minute intervals to track how long you spend marketing, managing, meeting, and the like. Maintain a structured daily schedule: Deal with priority customers and prospects in the morning, take clients to lunch and round out the day with administrative activities in the afternoon.

A "Very Top" Producer Story

In 1973, Taylor Glover was a 22-year-old university graduate with no financial connections or experience. He became a broker and started cold calling. By working longer and smarter than his colleagues, he managed to win 100 accounts. Then he joined four nonprofits: By 1985, he had networked his way to multimillion-dollar clients. Through one of his charities, he met Ted Turner, and though they did not do business together for 10 more years, Turner's introductions and friendship brought him more business. Soon Glover worked only on $100 million relationships. He developed an expertise in start-up companies, and investment bankers came to him for introductions to his valuable clientele. By 2000 he was earning $15 million. He retired after 30 years in the business and is now CEO of Turner Enterprises.

About the Author

David J. Mullen Jr. is a 30-year financial industry veteran and former managing director at Merrill Lynch, where he trained more than 500 financial advisors.