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Financial Professionals®

# MDRT Minute

## Maximizing Your Practice Management ROI

Financial advisors typically love their interactions with clients. Along with the passion they have for their role as financial advisors, independent advisors also own the responsibility of running a business. But running the business doesn't always stimulate the same passion as working with clients. In fact, it can feel like the counterbalance to the joy of being independent, calling one's own shots and influencing one's own destiny. Enlightened advisors can fulfill both roles simultaneously. The key is turning reactive practice management into proactive practice management.

### Leading a thriving entity

Leading a thriving business means knowing where the business is going and growing. First, you need a vision statement. It should be short, clear and based on the business's core values. Most importantly, a written business plan needs to back up that vision. A good business plan contributes to keeping a firm focused, guides the use of time and resources, and influences daily decision making. Next, you need to determine a strategy statement and specific, measurable goals. Finally, you must embrace fiscal responsibility for your practice. Don't assume that if you take care of your clients, the finances of the company will take care of themselves. Track your financials and practice what you preach.

### Human resources

Managing others to do the work you should not be doing translates into human resources. For a small business owner, here are the human resource management fundamentals:

- An organization chart
- Current job descriptions for everyone, including the CEO
- Semiannual written performance reviews
- An employee handbook
- Regular staff meetings

### Operational efficiency

Documenting core processes provides a higher ROI per unit of time expended on practice management. By documenting your firm's core processes, you ensure all employees understand their respective roles and how they intertwine, promote consistency to lower your firm's operating costs, ease the training burden when there is staff turnover, and facilitate continuous improvement. The bigger the firm and the more advisors it has, the more important it is for everyone, *including the advisors*, to follow consistent processes.

### Marketing

Effective marketing starts with identifying a niche and drilling down. If advisors take the time to get precise about their target and the specific needs of those prospects, they set themselves up for marketing efforts with a higher ROI.

### Generating revenue

Divide production enhancement into three broad categories: **Action** — High producers decide on a specific number and stay focused on it, as well as on the *activity* necessary to make the number a reality. **Aptitude** — Honestly confront your "rainmaking" skill set and determine whether your sales aptitude comes naturally. If not, seek help to focus on production-generating activity and time-management skills. **Attitude** — Other than monitoring activity and implementing approaches for strategic growth, there doesn't appear to be any secret sauce for success. Is it possible that one of the most critical ingredients of success is between your ears?

### Risk management

Risk comes in many forms in our industry, but most recently, there is an industry-wide focus on the gigantic risk associated with a lack of succession planning. These six C's can help advisors assess potential successors: Compliance/legal review; Capacity to purchase; Chemistry with the buyer; Chemistry with clients; Continuity of investment philosophy; Common factors. Start early and build your practice for transition from the get-go with proactive practice management. Prepare yourself decades in advance, prepare clients gradually and set a date for having a plan in place.

Proactive practice management requires a commitment from an advisor to attend to the business of behaving like a business. A systematic approach helps advisors get and stay proactive. The benefit is feeling in control and confident that your well-managed business is going and growing where you want. And the result is practice management efforts with a hefty ROI.

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