



The Premier Association of  
Financial Professionals®

# MDRT Minute

## Gathering Assets Under Management

If you are contemplating getting into wealth management or you already are gathering assets but want to do more, the single most significant key to success is a process you can communicate effectively. Your process needs to communicate how you do what you do — and then you need to do it.

### Important questions

Before you even have a chance to deal with a prospective client, there are three key questions you need to ask and answer:

1. *What do you currently have in the way of income producing assets to fund your retirement?*
2. *How much capital do you need to fund your retirement, now and in the future?*
3. *How long will your capital (hence your income) last?*

The answer to all three questions starts with getting a copy of a client's brokerage statement. When you can do this, you have a real prospect and an opportunity to convert their assets to AUM, assets under management — the salvation of the advisors in the years to come.

### Importance of aligning risk and return

It is important to obtain a copy of the prospective client's investment portfolio in order to be able to find and demonstrate these two important metrics:

1. *What is their investment policy?*
2. *What is the risk they are buying compared to the return this portfolio has historically produced?*

Obviously, we cannot know the future. We know markets go up and markets go down. If your client cannot live with the fact their portfolio is going to fluctuate, they have no business being in the market. This is a key component to managing expectations.

### Four critical factors

In order to better understand the forces negatively impacting portfolio performance for individuals, it is important to understand the four critical factors that determine portfolio returns:

1. *Volatility — the amount of risk associated with the ups and downs of the market*
2. *Portfolio construction — how to build a portfolio to achieve acceptable long-term results*
3. *Expense and fees — wealth erosion from the cost of investing money in the market*
4. *Taxes — controlling the inevitable cost of success*

These four factors have important considerations that, if understood and managed properly, can set you apart from your peers in the money management world.

### The process

As previously stated, it is important to have a well-thought-out process to deliver a meaningful experience and an excellent result.

1. *Have every client complete a Risk Tolerance Questionnaire to determine the best portfolio to suit their long-term needs.*
2. *Examine their existing investment policy statement by back-testing their current portfolio to yield important information.*
3. *Evaluate their current financial circumstances.*
4. *Present your options.*
5. *Decide on next steps with your client.*

The changing economic landscape makes clear the need for advisors to begin providing a broader array of services. In the end, this blueprint for money management will help you achieve your objectives — and the goals of your clients.

**Guy Baker, MSFS, CLU**, is a 43-year MDRT member with 35 Top of the Table qualifications and an MDRT Foundation Excalibur Knight. He was MDRT President in 2010 and MDRT Foundation President in 2000. As managing director of Wealth Teams Solutions, Baker focuses on wealthy business owners. He was selected by Worth magazine as one of the top 250 planners in the United States and named a distinguished planner in 2006 by the National Association of Estate Planning Councils. Baker has written hundreds of articles for industry publications and is the author of five books. You may purchase his entire presentation on [www.mdrtpowercenter.org](http://www.mdrtpowercenter.org).