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#FASuccess Ep 129: Building The Lifestyle Practice Of Your Dreams By Selling Your Firm And Starting Over, with Donna Skeels Cygan

JUNE 18, 2019 07:06 AM 0 Comments CATEGORY: Podcast

Welcome back to the 129th episode of **Financial Advisor Success Podcast**!

My guest on today's podcast is Donna Skeels Cygan. Donna is the founder of Sage Future Financial, an independent RIA in Albuquerque, New Mexico that oversees nearly $90 million of assets for about 40 client households.

What's unique about Donna, though, is the way that she successfully built her first advisory firm to over $100 million of AUM with 5 full-time staff members, and then found herself so mired in the time it took to run the practice and serve her clients that she sold it and came back 3 years later to start over again, building a

In this episode, we talk in depth about Donna's journey of building both her first and second advisory firm. The way that years of continued growth allowed her to hire more team members but frustratingly never got to the point where she was able to free up her time to spend more of it with her family, why she ultimately decided that the only way to relieve the burden of the firm was to sell it, the reason that Donna ended out coming back to start a second advisory firm after all, and how her current structure with just 42 clients paying an average of nearly $18,000 a year in fees allows her to run so efficiently as a solo advisor that she finally has the work-life balance she wanted, needs only 2 part-time assistants for support, and is able to drive nearly 80% of the firm's revenue to the bottom line.

We also talk about Donna's actual process in serving clients. The way she arranges two meetings a year with clients that include a biannual rotation of ongoing planning topics, the structured agenda she uses for each client meeting that includes new and pending issues, financial planning topics and an investment review, the way she leverages her virtual assistant to maximize her time in meeting with clients, and the software she uses to run her advisory firm.

And be certain to listen to the end, where Donna talks about why despite the ongoing buzz in the industry about the need to consolidate and grow to gain economies of scale, she has no concerns about her ability to remain competitive as a standalone solo advisor, and actually feels even better than ever about having sold her larger advisory firm and started over with the goal of building a smaller but far more profitable one instead.

So whether you're interested in what being intentional about starting over and building a new lifestyle practice looks like, how she manages to run such high margins while serving 42 clients, and the services she provides for her clients, then we hope you enjoy this episode of the Financial Advisor Success podcast.

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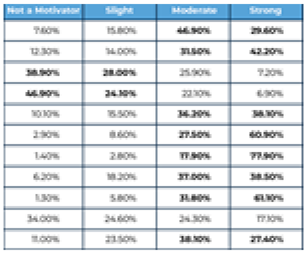
What Really Motivates Financial Advisors – Intrinsic Vs Extrinsic Drivers



Not a Motivator	Slight	Moderate	Strong
7.60%	15.80%	46.90%	29.60%
12.30%	14.00%	31.50%	42.20%
38.90%	28.00%	25.90%	7.20%
46.90%	24.10%	22.10%	6.90%
10.10%	15.50%	36.20%	38.10%
2.90%	8.60%	27.50%	60.90%
1.40%	2.80%	17.90%	77.90%
6.20%	18.20%	37.00%	38.50%
1.30%	5.80%	31.80%	61.10%
34.00%	24.60%	24.30%	17.10%
11.00%	23.50%	38.10%	27.40%

The traditional view of financial advisors is that they are highly motivated by the income potential and upside opportunity of being a financial advisor… and thus why the compensation system for most advisory firms is still predicated on an "Eat What You Kill" performance-based approach. For those who have the business development skill set, and a motivating desire to be rewarded for it, an advisory career can be incredibly lucrative.

However, when evaluated in our recent Kitces Research study of "What Financial Advisors Really Do," it turns out that the financial rewards of being a financial advisor are actually *not* the primary motivator after all. Instead, the primary drivers for doing comprehensive financial planning are an intrinsic desire to help and serve others and to apply one's talents and interest in personal finance. Which *happens* to also be financially rewarding… though even then, the income potential of being a financial advisor is more about work/life balance and lifestyle flexibility than just the extrinsic motivation of the income potential itself.

Which is significant, because it suggests that the financial services industry at large may not actually be communicating the right messages to *make* financial planning an appealing career choice in the first place. Simply put, in an industry dominated by money, it turns out that the mentality of a financial planner truly is about helping *others* with *their* money, more so than simply being financially rewarded for the advice and getting clients in the first place.

On the other hand, the data suggests that over time, financial advisors who *have* spent some time in the industry have largely managed to find the pathway that best fits their natural style. Advisors who *are* more interested in upside income potential do tend to either build their own advisory firms (hiring the staff and support infrastructure around themselves to grow larger) or join large firms where they can pursue a path to partnership. While those most interested in work/life balance are more inclined towards being – and remaining – solo advisors, where they can have ultimate control. And those who really are the most extrinsically motivated by the income potential itself – and not necessarily the desire to serve – are more likely to stay in commission-based channels where such motivators are best rewarded.

The key point, though, is simply that it's important to understand the true motivators for financial advisors, both for the industry to attract more next-generation talent to close the offering too much extrinsic motivation, in the form of variable compensation and bonuses, can actually *demotivate* financial advisors from doing their best work for clients! Especially as a growing number of next-generation advisors are increasingly showing a motivational preference for stable pay over upside income potential anyway!

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Weekend Reading for Financial Planners (June 15-16)

JUNE 14, 2019 03:01 PM 1 Comment CATEGORY: Weekend Reading

Enjoy the current installment of "weekend reading for financial planners" – this week's edition kicks off with the official release of IRS regulations that kill the charitable "workarounds" that many states have been trying to create since the Tax Cuts and Jobs Act capped the State And Local Tax (SALT) deduction at just $10,000… even as many high-income individuals complete their first tax returns (for 2018) and realize that due to the prior impact of the Alternative Minimum Tax (which eliminated SALT deductions entirely), that, in practice, the SALT cap is often not as problematic as many had feared early on.

From there, we have several articles on the SEC's recent Regulation Best Interest now that the dust is beginning to settle and the details are emerging, with one article looking at how Reg BI will cement the "two-track" regulatory approach (of keeping broker-dealers and RIAs separate, rather than merging them under a single uniform fiduciary standard), when certain brokers will no longer be allowed to use the advisor/adviser titles (unless they at least become dual-registered as RIAs as well), and what RIAs will need to do to comply with the new Form CRS requirements.

We also have a few articles around the theme of learning to better do sales and business development (especially as an employee advisor who is not naturally inclined towards sales and business development!), including tips for how to better support "sales" activities for advisors more successful (especially when it comes to getting new clients), what to do to avoid getting brushed off when you *do* get a referral from a client to a new prospect, and some low-key ways to follow up with prospects after the first meeting to keep them engaged.

We wrap up with three interesting articles, all around the theme of the mid-career crisis and what to do if we feel we've hit a wall: the first explores the phenomenon of the mid-career crisis itself, and how it's similar to a midlife crisis, but requires somewhat different remedies (and mindset changes) to resolve; the second explores the research about why employees ultimately tend to quit their jobs (which is less about the job and company itself, and usually about their direct manager and whether he/she is doing what it takes to support and develop the employee in their career and stage); and the last explores the phenomenon of the "Late Bloomer", and how, in reality, our brains are still developing throughout our teens *and* 20s, such that, while society today often celebrates the "early bloomer," it's the late bloomer in their 30s, 40s, or even 50s, that may actually be more common and expected. (Which is why it's never too late to start a new career or path as a financial advisor!)

Enjoy the "light" reading!

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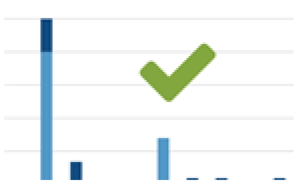
Segmenting Retirement Expenses Into Core Vs. Adaptive To Create Retirement Buckets

JUNE 12, 2019 07:07 AM 4 Comments CATEGORY: Retirement Planning



In recent years, a growing number of retirement "bucket" strategies have been developed to tie specific portfolio allocations to specific expenditures – most commonly by tying "essential" expenses that a recognition of the fact that if the portfolio performs poorly the expenses *can* be cut (since they are "discretionary").

The caveat, however, is that it's not always easy to determine what constitutes an "essential" vs. "discretionary" expense in the first place. The classic approach is to tag the food, clothing, and shelter kinds of categories as "essential" (along with perhaps healthcare in the modern era), while travel and entertainment expenses are discretionary.

Except in practice, if a retiree lost out on such "discretionary" expenses, it would likely not only be a traumatic impact to their real-world lifestyle, but such discretionary expenses often support genuinely psychological *needs* (e.g., funding activities that empower social well-being). And at the same time, many classically "essential" expenses in the areas of food, clothing, and shelter, really aren't essential at all. From the house that's bigger than what a retiree couple truly *needs* to survive, to eating out at expensive restaurants instead of dining frugally at home, or buying "designer" clothes versus generic or lower-cost brands (or buying at a second-hand thrift store).

In essence, separating "essential" vs. "discretionary" expenses by looking at *categories* of spending doesn't necessarily work. Instead, the better approach is perhaps to segment spending *within* each category into the "Core" expenses that form the nucleus of the household's lifestyle, from the *truly* discretionary (and more easily adaptable) expenses within each category (from the upscale restaurants to the designer clothes). In other words, there's a potential layer of Core vs. Adaptive expenses in *every* spending category.

And importantly, the distinction isn't mere semantics. By attaching specific portfolio "buckets" to each of the Core vs. Adaptive spending types, it's easier for retirees to actually see that their "Core" spending really is secure, while a more-volatile portfolio (with more downside risk but also more *upside* potential as well) is tied more directly to the expenses that are truly adaptable and flexible, while giving retirees a clear resource bucket to consume (and know when it's exhausted). Which in turn opens up the door for retirees to decide how much they *want* tied to each of the associated retirement buckets.

The bottom line, though, is simply to recognize that what defines more flexible "discretionary" spending to fund wants (rather than needs) isn't just a function of certain categories of expenses, or funding solely the expenses necessary to ensure base-level safety have to adapt!

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#FASuccess Ep 128: Advising Small Business Owners By Helping Them Increase Their Own Enterprise Value, with Justin Goodbread

JUNE 11, 2019 07:07 AM 1 Comment CATEGORY: Podcast

Welcome back to the 128th episode of **Financial Advisor Success Podcast**!

My guest on today's podcast is Justin Goodbread. Justin is the founder of Heritage Investors, an independent RIA based in Knoxville, Tennessee that supports nearly $150 million of assets under advisement for 120 client households.

What's unique about Justin's firm, though, is the way they've crafted a niche in working with small business owners to the point that the primary asset they advise on is the client's business, not their portfolio, and performance is tracked not via the returns of the portfolio relative to a benchmark, but by how the owner's net worth increases over time through creating enterprise value in their business.

In this episode, we talk in depth about what exactly Justin does to advise small business owners. The way his process starts with traditional financial planning but then shifts in great depth into business planning instead, the tools that Justin uses to do an informal valuation for every small business owner client to start the conversation on increasing enterprise

$20,000 a year into a more business cash flow-friendly monthly subscription fee instead.

We also talk about how Justin built his marketing to reach small business owner clients. The way he created the marketing avatars of "Frazzled Frank" and "Frantic Frannie" to hone and focus his marketing messages, how becoming more laser-focused in the small business owner niche helped his marketing, the content website and podcast he launched to reach more of his target clientele, and how going deeper into the small business owner niche ironically ended out bringing him more prospects outside of his niche as well.

And be certain to listen to the end, where Justin shares the unique certifications and designations including the CEPA and the CVGA that he obtained to build his expertise in advising small business owners. The five business books he reads over and over again every year to bolster both his business advice and how to run its own advisory business more efficiently, and his perspective on how we as financial advisors can do a better job creating more enterprise value in our own firms as well.

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Summer Reading List of "Best Books" For Financial Advisors – 2019 Edition

JUNE 10, 2019 07:03 AM 5 Comments CATEGORY: Personal/Career Development

For so many, the season of summer is a time of vacation and family trips, whether for some rest and relaxation or just to get away from the local heat. And the fact that clients tend to travel more during the summer means some slowdown in meetings and business activity as a financial advisor is almost inevitable. Which in turn frees up more of the advisor's time to take a vacation of their own, or at least slow down and relax with family… and catch up on some good books.

The question, of course, is then to figure out "what's a good book to read these days?" As a launched my list of "Recommended (Book) Reading for Financial Advisors", and it was so well received that in 2013 I also started sharing my annual "Summer Reading List" for financial advisors of the best books I'd read in the preceding year. It quickly became a perennial favorite on Nerd's Eye View, and so I've updated it every year, with new lists of books in 2014, 2015, 2016, 2017, and a fresh round last year in 2018.

And now, **I'm now excited to share my latest 2019 Summer Reading list for financial advisors**, with suggestions on books about everything from how to better execute a merger or acquisition (if that's how you're looking to grow!), build a better "story-based" sales process and your own story-brand (if that's how you prefer to grow!), some books on practice management and how to run a better business, new perspectives on client psychology and decision-making, how to facilitate better financial health for your clients, and how to better instill your own habits for long-term self-improvement.

So as the summer season gets underway, I hope that you find this suggested summer reading list of books for financial planners to be helpful… and please do share your own suggestions in the comments at the end of the article about the best books you've read over the past year as well!

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I write about financial planning strategies and practice management ideas, and have created several businesses to help people implement them.

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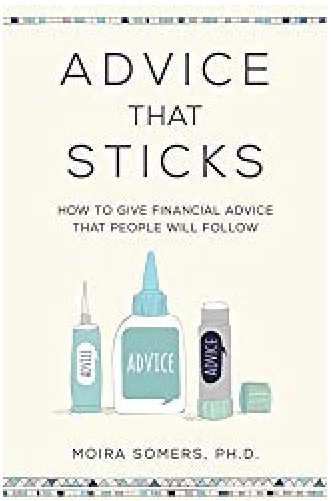

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- Moira Somers

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