FINANCIAL NAVIGATOR

Developing a Financial Services Practice 2

A Case Study

Editor's Note

In the financial services business everyone has a different story as to their background for getting into the business and for how they conduct their business. The variables are so great that it would be a mistake to try to copy any one practice. However, it is beneficial to copy certain procedures and ideas from other practices.

This case study is based on an actual practice and its staff, clients, and operations. Names have been excluded or changed to ensure the privacy of the individuals involved.

As background, it is helpful to know that the individual in this case study began as a CPA in a public accounting firm. He left to work in real estate syndication and private placements. In 1989, he then started his own financial services practice. As the practice developed, he obtained general securities representative and principal licenses, and life and disability insurance licenses.

The Practice of John Doe & Associates

This practice was chosen because it started as a single person with extensive financial experience. To convey his experience as closely as possible, the remainder of this case study is presented in the words of the founder himself.

FINANCIAL NAVIGATOR

Services I Provide

When I first started my practice, I wasn't sure exactly what I wanted to do. I knew that I wanted my practice to utilize my experience to deal with financial matters for individuals. I also knew that I didn't want to have a traditional CPA practice of accounting and tax compliance work.

Working with a doctor friend, I started working with doctors as a consultant, combining accounting, investments and practice management. I found FN and used it for the accounting work. After several months, by applying the above analysis (see steps 1-4 on page 125), I decided that working with doctors was not what I wanted to focus on.

So I reworked my plan. Through various contacts, including referrals from FN, I expanded my scope of clients and started providing business management services to high income and net worth individuals using FN. These clients could be doctors, but not exclusively. I also became a FN Service Provider which got me in the door for consulting work to help users with the program. I then worked to expand the consulting work to business management services. The business management services then further expanded to investments and overall financial advisory work (my two largest clients are the result of this). I also started providing financial planning and investment services without business management. During this period I obtained the securities and insurance licenses required for this type of business.

I had decided at the outset to not provide tax preparation services. I don't care for this type of work. I just want to do tax planning and recognize problems and then turn it over to a tax CPA for the actual compliance work. Also, I felt that it would be too much of a conflict with my desire to obtain referrals from CPAs."

Marketing My Practice

Referrals and Sources

I have tried mailings, seminars and speaking engagements. None have been as successful as referrals. My referrals come from existing clients, friends and acquaintances and other professionals, mainly accountants and attorneys.

When I am able to discuss the referral process with a potential source, I always tell them they do not need to qualify the referral for me. I assure them I will do that and then act appropriately. This makes it very easy for the source to just give the referral my name and number without feeling they will waste my time if the account is too small or inappropriate. I want to make sure I get the referral and I can make the determination of the services that would be appropriate.

If a referral has not told me they are not interested, but just doesn't call me back, I have been very successful with the following technique. By letter or voice mail I tell them I recognize there is a fine line between being persistent and a pest, and I hope they put me in the persistent category. I believe my services could be very helpful to them and I am ready to do as little or as much as they want to help them organize and make their finances work for them. To do that we just need to get started.

Existing Clients as Sources

Every year or so, I will explain how I obtain new business and how when clients make referrals it reduces the amount of time I must spend looking for new clients and therefore allows me to spend more time working on the accounts of existing clients."

Friends and Family as Sources

I always let people know what I do for a living. It is easy and non-threatening and I try to throw out some "pearls of wisdom" the person may find interesting or of use. I then pursue the subject of referrals only if they ask questions and show some interest. The person I am talking to may not be interested or have a need but may know someone that does. I have had many referrals from non-clients and even referrals from their friends and acquaintances.

Peers as Sources

Many referrals come from other professionals. I receive referrals from FN, accountants, attorneys and consultants. These are generally relationships I have had for many years but often can result from a recent meeting. As with friends, family and acquaintances, I let them know what I do and how I do it.

Maintaining Referrals and Sources

I try mainly to keep up the relationships by telephone, but will make an effort to have lunch from time-to-time or meetings when working with a joint client. I try not to schmooze them as I think that is too transparent. It is best to have a reason to call and when possible from time-to-time reinforce the referral process. I make absolutely sure to specifically thank them for referrals and to provide an update as to the status of my work with the referral, if appropriate.

It is very important to maintain a high degree of credibility with other professionals. Make sure that whatever you do, you are able to do it competently and with a high degree of client satisfaction. I also try to reciprocate by referring work to them as appropriate. If you do any competing work, make sure you downplay it or if necessary, set up rules with the referral source so he or she is comfortable you will not be competing. Never be tempted to discuss the services with the client unless you want to lose the referral source.

I like having a large professional referral source rather than working with just one or two professionals. As always, there is a fine line of too many or too little, therefore you must find your own comfort level.

FINANCIAL NAVIGATOR

My Staff

When I started my practice, my goal was to have as small an organization and overhead as possible. I had been involved in companies with many employees and found that the management of the business detracted from doing the business. However, in order to make the type of income I desired, I soon found out I had to have staff to do many services that I could not bill out at my rate.

Virtual Staff

Because of the uncertainties of a new practice and my reluctance to take on overhead, I pursued an independent contractor arrangement with other accountants. This was a new concept in 1989, but later became to be known as the "virtual company." I worked out an arrangement with a CPA and a bookkeeper/accountant.

Both were in the beginning phase of their own bookkeeping/ accounting practices with their own clients and were looking for work. We set up for them to work out of their own home offices. They provide their own computers, supplies and other office equipment. Their mail and telephone calls come through my office, although with many clients the relationship progresses to the point where they use their "direct line." The CPA is close enough so she can stop by the office as needed. The bookkeeper is about 10 minutes from the office and we have a runner who comes in once a day to pickup and drop off between our offices.

They have business cards with my firm. I assign each one certain clients to work on which they do on their own schedule and their own pace, just making sure they are responsive and meet deadlines. One of them also does the FN training. Generally, I will obtain the engagement and then have her coordinate the time for the training.

Because of the absence of an employee relationship and instead, an entrepreneurial relationship, this arrangement has worked very well. Effectively, I am their client and they need to keep me happy, which I am as long as our mutual clients are happy. They bill me at the beginning of each month, providing me with their time sheets and I pay them upon presentation of their bill. I do not make them wait for the client to pay me. This has worked very well.

In many cases the client becomes aware that they are not actually in the office on a full-time basis. This has not been a problem, as the client just wants service. I am able to control the time spent by each of them just as well as any large CPA firm partner is able to control the time spent by staff on clients. A partner doesn't sit next to the staff person monitoring the work. He or she uses time sheets with a general idea of how long something should take.

An important element has been to start out with one client and then if the work is good, add more. I have not had a problem with them "stealing" clients, because they have a steady income at a competitive rate which would end if they did. Also, if I am not interested in a potential client I have given them to the CPA or the bookkeeper for their own practices without any ongoing involvement by me. I bill them out anywhere from 150% to 200% of their rate to me. They each average approximately 15 hours a week. I don't have to worry about scheduling and keeping them busy. My main concern has been to make sure they are busy enough, so they don't go get jobs. Because of their other clients, they both have to keep up with taxes, software and technology on their own.

As my practice has grown and revenues have steadied, I could bring some or all of the work in-house. However, the present arrangement is a win-win situation and therefore has worked very well, so I plan on keeping it until a change becomes necessary.

Full-Time Staff

As regular employees, I have a college degreed, in-house back office assistant working 32 hours a week and a college student clerical assistant working 20 hours a week. The in-house back office person understands accounting and uses FN and could, if necessary, be used to fill in for the CPA and the bookkeeper, if needed.

Our Office Tools and Other Resources

Computers

I have a computer for each person in the office, with a laptop for me. I have a port replicator in the office that ties me into the office network by just sliding the laptop into it.

I have found the computers need to be updated about every three years. Sometimes the main computer can be passed down to the clerical person. I do not buy cutting edge. I buy when the software I use does not run efficiently and then I buy just enough or just a little more power to run the software. This is usually the technology that is just being replaced by the cutting edge technology and therefore cheaper.

Printers

I have an ancient HP IIp LaserJet (4 pages per minute) in my office, an HP 4 (8 pages per minute) and an HP 890c (color inkjet) in my assistant's office. Most of the printing is done on the HP 4 as it is fast enough to print out a 100-page FN Detail Trial Balance quickly enough for our purposes. The color inkjet is good for graphs and other presentations requiring color. The HP IIp is good for quickly printing a schedule or two at a time at my fingertips.

Operating System and Network

All of the computers and the printers are networked with Windows 95. To be competitive with proper software, you must be running Windows.

Other Communication Tools

Because my "virtual staff" is not physically present in my office, we needed a system for communications. We use the fax machine extensively. Additionally, using computer modems and communications software, particularly a program called pcAnywhere, we are able to trade files over the telephone lines without having the expense of network.

After hours the main computer is left on with pcAnywhere set for call waiting with password protection. They can dial in and transfer files as needed. This way I always have current client files on my in-house computer. We also use pcAnywhere to provide services to FN consulting and business management clients which saves the time and expense of traveling to their on-site locations.

Voice Mail

One of the main problems of a small office is telephone and message management. You want to have a professional image and yet having someone answer your phones is expensive. Also, there is the problem with after hours, lunch, breaks, vacations and absences. This problem can be solved with technology. Computer systems can be used to replace a live attendant, often times even performing the job more efficiently. One such system is called Wildfire.

Wildfire is leased and is an automated system that screens calls, tracks you down takes and notifies you of messages. It is most cost effective for a one-person office. Because I have two in-house employees and my "virtual staff" along with a partner and his two employees, Wildfire was not appropriate. So, after checking around I found a system that I customized to do exactly what I wanted.

Twenty-four hours a day, the system answers the phone, gives a welcome and a directory of extensions. When an extension is selected it asks who is calling, rings the extension and announces the name of the caller and if the call is not answered it takes a message. If the person is on an existing call, the system announces the caller's name so the existing party cannot hear it, and the person may terminate the existing call and accept the new call or ignore the new call and the system will take a message.

It can be set up to call you at any outside number to let you know you have voice mail. It can also be set up to forward calls to an outside number. I have been driving in the middle of the desert or sitting on the beach and have been able to receive important telephone calls on my mobile phone and the person calling had no idea where I was and didn't care.

Organizers

Until late 1996 I had tried several paper based organizers and had settled on the pocket sized Franklin. The problem was that it only held appointments and to do lists. When I was on the road I had to always take along lists of addresses, phone numbers and other necessary information. It seemed that whatever I needed, I didn't have.

Also, our in-office records were on the edge of being out of control. When client information changed, it had to be changed in files, on Rolodexes, on travelling information sheets, etc.

I then bought a Palm Pilot. It has become the central repository for all information. Whenever I am out of the office I have with me all the information I need for addresses, phone numbers and other client information. It synchronizes with my assistant's computer so we all have the same information and if she wants to see my schedule, she can pull it up on her computer in a second.

FINANCIAL NAVIGATOR

Software

This is a matter of preference. I have been most successful using mainstream programs.

- **General office software** — I started out using Lotus Office Suite, but have switched over to Microsoft Office, as it seems to be the most compatible with everyone else.
- **Accounting, business management, investment management** — Financial Navigator.
- **Financial planning** — Money Tree, Kettley Back Room Technician.
- **Tax planning** — Tax MiniMizer.
- **Investment analysis** — Morningstar Principia, various internet sites."

I see my practice as a Financial Navigator based practice, but not a Financial Navigator practice. I do not rely on referrals from FN to generate business. However, when I get them they have generally been of excellent quality. I do not see FN as the solution to every client's problems or needs. But it is an excellent tool to be used in my practice for meeting my clients' needs.

Summary of Practice Growth and Results

FINANCIAL NAVIGATOR

Types of Clients

Business management only	2
Business management and investment management	5
Investment management only	30
FN consulting and financial planning engagements	varies
Total	37

Gross Billings

	%
Business management billings	40
Securities and insurance commissions, investment fees	45
FN consulting	5
Financial planning	10
	100%

Assets under management are $23,000,000.

FINANCIAL NAVIGATOR

How to Reach Us

Information and Sales: .... **800 468-FNFN (3636)**
Fax: **650 962-0730**
Web site: .... **www.finnav.com**
E-mail: .... **customerservice@finnav.com**
Technical Support: **650 962-8510**
Hours: .... **Monday - Friday 7:30 a.m. - 4:30 p.m. PT**
Business Address: .... **254 Polaris Ave**
.... **Mountain View, CA 94043**
Telephone: **650 962-0300**

Trademark Acknowledgments

Financial Navigator, Navigator, Advanced Reports, CheckForm Navigator, Navigator Access, Navigator DataBridge, Navigator Impressions, and Navigator StockWeb are trademarks or registered trademarks of Financial Navigator Int'l.

Windows is a registered trademark of Microsoft Corporation. Other product names mentioned in this reference material may be trademarks or registered trademarks of their respective companies and are hereby acknowledged.