BUILD YOUR EXTRAORDINARY BUSINESS

Four business-building strategies your peers use to excel

LPL Financial

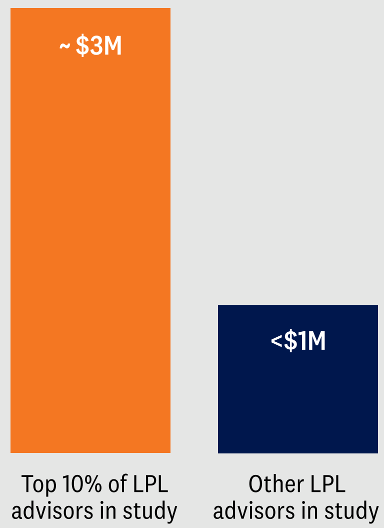
INSIDE

BUILD YOUR EXTRAORDINARY BUSINESS

DISCOVER. BENCHMARK. TRANSFORM.

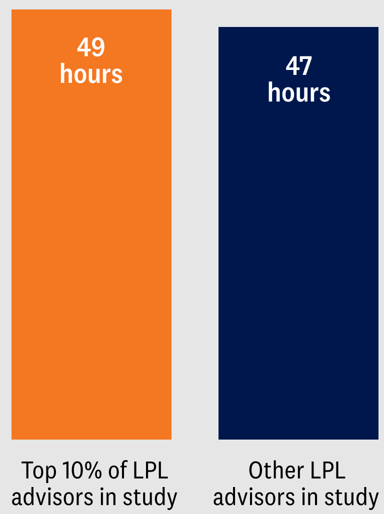
Annual practice revenue

Top 10% generate ***3X*** *the revenue...*



...while working similar hours as other advisors.

Average hours worked per week



The bottom line:

You don't have to double your hours to double, or even triple, your revenue.

Learn from your peers, benchmark your success against them, and transform your business to become even more extraordinary

Your operating model, your value proposition, and the clients you serve make your practice unique. Sure, there are similarities between how you and some of your peers have structured their practices, but those differences—no matter how large or small—are often what help you attract and retain clients, and differentiate you in the marketplace.

There are also different opinions on what building an extraordinary business means. Some advisors set goals to grow by a certain percentage each year, some advisors are focused on increasing the value of their business to sell their practice, and others are taking a generational approach to succession—doing everything they can to keep the business in their family for decades to come.

Ultimately, however, a recent study conducted by LPL Business Solutions shows commonalities among how the top 10% of LPL advisors* pursue success. For the purposes of this study, we also looked at performance metrics of these top advisors in comparison to other independent advisors at LPL.

This publication digs deep into four business-building strategies these top advisors are using to achieve extraordinary results:

1. **Operate like a CEO:** Focus on the growth, design, and future of your organization.
2. **Optimize your time:** Be efficient and resilient by outsourcing or delegating, ensuring your teams are trained, and automating processes when possible.
3. **Offer comprehensive advice:** Provide holistic wealth services to your clients for every stage of their financial lives.
4. **Align your practice with your values:** Infuse your personal values into your business.

Your questions—answered

You likely have many questions about how you can achieve impressive results like the top 10% of LPL advisors, and do it on your terms. We've got you covered. We'll answer questions like:

- How do I compare to my peers?
- What are other successful offices doing that I may not be?
- Is it too late, or too early, for me to transform my practice?
- What real examples can I implement today?

Let's dive in.

* The top 10% of LPL advisors was determined from 2022 Gross Dealer Concession (GDC) data.

STRATEGY 1

OPERATE LIKE A CEO

Design and review your organization

of the top advisors formally evaluated staffing levels, roles, and individual performance every six months.

Think big: Structure your organization to suit your needs, delegate tasks, and invest in growth

A key mindset shift of top advisors is that they see themselves as both business owners and financial advisors. One growth inhibitor advisors often face is continuing to perform too many tasks by themselves, while not effectively building and leveraging a team.

A CEO mindset combats that inhibitor—it includes **a consistent focus on growth, and a strategy for how to keep growing past natural resistance points**. Julia Carlson of Newport, Oregon-based Financial Freedom Wealth Management Group recognized just that.

“There was a time when I did everything myself, but found I needed help once I grew past about $60M in AUM,” said Carlson. “It was easy to keep everyone on my team aligned and communicate when it was less than five people total, but complexity arose by our sixth and seventh hires. At that point, I became a bottleneck to the team!”

As Carlson and her team considered continued growth, her first thought was that everyone on the team, including herself, would have to work twice as hard to double the size of her practice. She knew that was unsustainable. But then she envisioned growing the practice 10 times larger. Why? According to Carlson, “Envisioning yourself exponentially larger helps you think differently about how you can really **scale the business rather than just working harder**.”

Be purposeful about your organizational design

Before you focus on growth, consider how sustainable your organizational design is for the future. If you’re like most advisors, you don’t have dedicated human resources support to help hire, coach, monitor, and evaluate your employees. This can be a challenge when considering how much time you need to serve your clients and manage your business. And this can affect how you delegate.

You’re not alone. Industrywide, **50% of advisors said they were not able to effectively delegate to staff due to undefined roles and inconsistent or undocumented processes**.* If you don’t have a formal check-in and evaluation process for staff, then expectations and reality may diverge from each other over time.

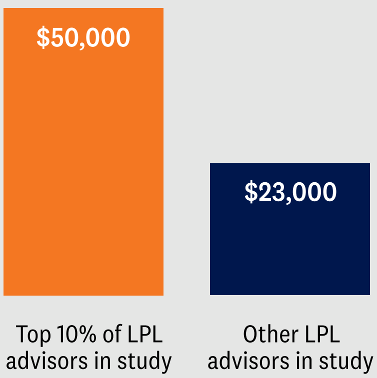
In our study, **75% of the top advisors formally evaluated staffing levels, roles, and individual performance every six months**. A frequent review helps you understand the strengths and weaknesses of your team and processes, and helps you identify problems sooner.

* Cerulli Associates, US Advisor Metrics 2022

STRATEGY 1

OPERATE LIKE A CEO

Marketing and business development—annual investment



Top advisors in our study spent an average of $50,000 on marketing and business development annually. All other advisors in the study averaged $23,000 on marketing and business development annually.

Training and technology—annual investment

Those same top advisors spent more than

$40K

on training and technology annually.

All others spent less than

$20K

on training and technology annually.

Invest in growth

You're aware of the major levers of growth: acquiring new clients, increasing your AUM from existing clients, offering commission or transactional-revenue based investment products, and offering other paid services like financial planning or tax services.

But advisors who think more like a CEO are taking growth to the next level by putting more time and money in the following areas:

- **Client acquisition**: Our study showed that your top advisors sustain their financial and time investment in client acquisition each year, generally spending more than two times as much as other advisors on marketing and business development. They also consistently pursue and invest in multiple marketing channels, usually ask for client referrals, express appreciation for their clients through events or gifts, build referral relationships with professional centers of influence (such as attorneys or CPAs), maintain their website, and perform email, social media, and digital advertising campaigns.
- **Training and technology**: Your top-producing peers also regularly invested consistent amounts of money (more than $40,000 annually) in training and technology to keep up with their growth trajectory.

Closely monitor your financial results

Top advisors in our study generally review their business and financial results on a frequent, consistent basis. They compare how results are trending towards their goals and their strategic plan, seeking to add context to their results whenever possible. What does adding context mean in practice? This means they compare themselves to industry and peer benchmarks, seek the perspectives of their business partners and other advisors, and decide on next steps.

As an example, about 80% of top advisors in our study either have a third-party bookkeeper or delegate bookkeeping to another staff member. However, the key advantage of help with bookkeeping is not the time saved, but the ability to gather crucial insights from your financials.

These top advisors are also 20% more likely to close their books on a monthly basis. While many advisors believe that a quarterly close is sufficient, a monthly close provides three times the number of checkpoints on your business each year, which helps them see potential cash flow constraints on the horizon before it becomes a larger issue.

* Cerulli Associates, US Advisor Metrics 2022

STRATEGY 1

OPERATE LIKE A CEO

"The most impactful way I found my successor was by clearly articulating my vision and values for the firm, our approach to financial planning, and that my successor would need to share those values." —Lori Tauring

Find your successor

Your top-producing peers typically take their own advice about preparing for their retirement to protect their legacy and the monetary value of their business. More than two-thirds of the top advisors in our study have their long-term successor identified, and they are nearly 40% more likely than all others to have done so. Not only have they identified this successor, but they're also nearly 60% more likely to have legal agreements and a funding mechanism in place, and are about 25% more likely to have communicated this succession plan to their clients.

Take it from Lori Tauring from Blue Heron Wealth Partners in Bloomington, Minnesota, who says it's never too early to start identifying your successor.

"I first started the successor process in 2017, when I had an illness that I thought would force me to retire. Up to that point, I hadn't been following the advice I give my own clients about being prepared to be hit by the proverbial bus. Thankfully I made a full recovery, but I kicked off my search in case I wasn't as lucky next time."

Compared to other advisors in this study, the top 10% of advisors were:

40% MORE LIKELY to have a long-term successor identified

60% MORE LIKELY to have legal agreements in place

25% MORE LIKELY to have communicated their succession plan to clients

LEARN FROM YOUR PEERS

Want to know how you can think and operate like a CEO? Here are some sound insights from your peers.

James Warner's approach to asking for referrals

If James Warner of Shelton, Connecticut-based Warner Group has a great experience with a business he frequents, he doesn't mind the owner asking him for a referral. As a business owner himself, Warner focuses on providing that great experience to his clients in hopes of a referral. Over the years, Warner has honed his guidelines around how he approaches clients or centers of influence to ask for referrals. Here's his approach:

- Make it natural
- Make it in the moment of solving a specific need
- Make it fun
- Be in control

Click the button to the right to read more of Warner's top four referral strategies.

1

James Warner on referrals

Make it natural:

"If you've developed a 'professional friendship' with your client or a center of influence, then asking for a referral can flow naturally within a conversation."

Julia Carlson and Mike Makonnen on purposeful organization design

Many CEOs surround themselves with great talent who are knowledgeable in specific areas and bring diversity of thoughts and ideas to their team. Taking a similar approach certainly worked well for Financial Freedom Wealth Management Group's Julia Carlson.

"A key breakthrough in thinking about hiring was to **bring in people with opposite strengths of mine**, so that I could truly delegate the things I'm not as good at and fill in my blind spots," said Carlson. "But it took a little introspection and personal growth to admit what I wasn't good at!"

Mike Makonnen of Makonnen Financial Group in Alexandria, Virginia, agreed with Julia about the importance of relying on others and not trying to be good at everything.

"The greatest lesson that I learned in my business is to **focus on what I'm good at, and find someone else to do what I am not good at**," said Makonnen. "This was also the hardest lesson for me to learn as well. In my first 10 years, I wanted to do everything and wear multiple hats, but I realized I was best at being in front of clients and hosting educational workshops. I started getting more serious about outsourcing and delegation after that."

STRATEGY 2

OPTIMIZE YOUR TIME

Need more time? Be selective.
Industry wide, nearly two-thirds of advisors agreed that serving too many non-ideal clients was their top productivity challenge.*

It may be hard to turn a prospect away, but the opportunity cost of your time grows along with your business. One method to attract the right prospects is to have a publicly stated minimum AUM or revenue threshold for new clients. **The top advisors in our study are 60% more likely than other advisors in our study to establish these minimums and consistently keep them**.

*Cerulli Associates, US Advisor Metrics 2022

How your practice can be more efficient and resilient

Your definition of an efficient and resilient business may differ from your peers, and there are a number of ways you can structure your practice. Efficiency can focus on internal processes, outsourcing, staffing, growth, and profitability. The combination of your goals, personnel, processes, and culture may be efficient for you, but the same structure may not work for another advisor.

We studied how top advisors delegate duties, how many processes are automated, and their financial reserves with an end goal not to define what a practice should do given the many combinations, but instead to highlight methods you can consider adopting.

Focus on efficiency

Time is one of the few things that cannot be bought—but it can be saved. You have a wide range of responsibilities, including prospecting, onboarding new clients, answering client questions, conducting annual reviews, providing portfolio management expertise, creating financial plans, and more. On top of that exhaustive list, you shoulder business owner duties as well. Maybe outsourcing or automating is the answer.

71% of top producers in our study **outsource two or more owner duties**, such as human resources, accounting/bookkeeping, administration, marketing, technology, and cybersecurity.

Outsourcing Opportunity—Investment Management: More recent events like the 2020 pandemic and bank failures of 2023 highlight the fact that news never sleeps and those events impact market performance. You cannot reasonably keep up with all the market news on top of all of your other duties. To avoid getting bogged down by daily fluctuations, top advisors in our study take advantage of several key outsourcing opportunities across the investment management spectrum:

- **Models**: 95% have a models-based practice, thereby eliminating most time spent customizing investments. They are also three times more likely to outsource model development/management.
- **Trading**: 70% use a rebalancing tool, like LPL's Enhanced Trading—making them three times more likely to use trading automation solutions—to help save time in routine rebalancing of those models.

STRATEGY 2

OPTIMIZE YOUR TIME

77%

of top advisors in our study have a staff member who can **cover the duties of at least one other staff member.**

69%

of top advisors we studied **believe their staff are highly trained***—this makes them four times more likely to feel this way compared to other advisors in our study.*

Focus on resiliency

Resiliency is being able to endure or adapt quickly from a difficult circumstance. Generally, advisors are no strangers to challenging situations during their careers, from the "tech wreck" of the early 2000s to the financial crisis of 2008 to the pandemic in 2020. And with the market about 20% lower in 2022 than the year before, advisors had to cope with disruption and learn from it.

Resiliency comes in many forms, but the top advisors in our study are hyper-focused on short-term business continuity. Key person dependency is a common risk among independent advisors, given their typically smaller office size. The ability for each staff member to cover the duties of at least one other person is an important test of resilience. Robust staff training can improve cross-coverage, as well as enhance overall efficiency in tandem with the right level of office technology.

Additionally, having an emergency fund that can cover expenses and carrying sufficient insurance is critical. On average, the top advisors in our study have a minimum of a six-month emergency fund, compared to four months for all other advisors. Additionally, they are more likely to carry worker's compensation, commercial property coverage, and cyber/data breach insurances.*

*Not all advisors need these types of insurance

LEARN FROM YOUR PEERS

There are many ways you can optimize your time. But sometimes, the right answer is not always clear, or you might "ignore the signs" even when they're right in front of you. Read how a couple of your peers have addressed time management.

Wes Burns on outsourcing investment management

With growth comes evolution. Just ask Wes Burns, from Transformational Advisory Group in Seattle, Washington, who made a decision to outsource the investment management function that he managed himself when his practice was smaller.

According to Burns, "If you have similar clients with similar risk profiles, then they really should be holding the same securities and having the same investment experience. Customizing that experience for each client is more likely to cause something to get missed, especially as you get over $100M in AUM. One step we took was to hire an **outsourced Chief Investment Officer**, who does all of our models, trading, and rebalancing. This way I feel we could grow to $500M and every client would have the same experience along the way."

That doesn't mean he's not involved.

"I view my role instead as the **'Chief Quality Control Officer' who checks that my outsourced partners are delivering this consistent experience**," he added.

Jennifer Strong on preparing for short-term interruptions

Understanding that other advisors can learn from her success, Jennifer Strong of the Strong Financial Network in Lakeport, California, is happy to share her perspectives. Here's a brief Q&A with LPL's CFO Solutions team about business resilience and staff cross-coverage and training.

LPL: How do you hire the right fit for your team?

Jennifer Strong: "We don't automatically assume that a candidate needs to have financial services experience because we will spend time training them. What we first look for is that person's cultural fit with the team, their work ethic, their customer service skills, and how adaptable they are. If we identify a great person outside of the office from our daily lives, then I am not afraid to ask if they'd like to work in our office instead. **Seeing them in action is more important to me than what financial services training they might already have**. We've hired people from a bookstore, a CPA firm, the grocery store, and even the relatives of clients that we've known for years."

LPL: What's your approach to training?

Jennifer Strong: "Once we've hired someone, regardless of their role, we **strive to have them carry the same licenses** as everyone else in the office. This is definitely not a low-cost or easy way to initially train people, but it makes sure there is a common body of knowledge across every single person. It's much easier to train above and beyond for that person's specific role when you have this common core."

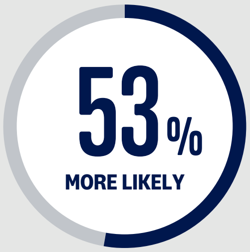
LPL: And what about cross coverage?

Jennifer Strong: "We have a rule in the office that **everyone reads all the notes input to our CRM from the previous day**. Like having the goal of everyone becoming licensed, this also ensures everyone has exactly the same information at all times. Anyone can pick up an incoming call and know exactly why that client is calling, even if they've never met them. A key test for us was when I went on vacation for a month after my son graduated from college. The office never missed a beat, and **clients didn't know I had been gone**."

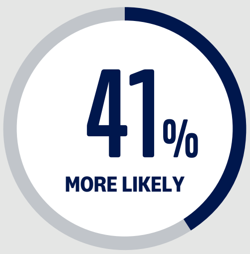
STRATEGY 3

OFFER COMPREHENSIVE ADVICE

Compared to other advisors in our study, top advisors were



to offer estate planning



to offer tax planning and strategy

to offer retirement plan consulting

to offer insurance

Deliver advice through all stages of a client's financial life

You're expected to be a source of support for your clients. Amid turbulent markets and difficult life events, you must guide clients confidently toward their financial goals. From our research, top advisors do so by supporting broad advice needs, including college planning, tax planning, estate and legacy planning, charitable gifting, and caring for aging parents. Many times, these topics are just as emotionally complex as they are financial, so not all advisors acknowledge the importance or understand how it can be a differentiator. In fact, advisors who emphasize the importance of caring for every aspect of clients' financial lives may see greater loyalty, satisfaction, and retention.

Most of the advisors in our study offer either investment management or financial planning. However, top advisors were 53% more likely to offer estate planning, 41% more likely to offer tax planning and strategy, 28% more likely to offer retirement plan consulting, and 17% more likely to offer insurance.

These additional services can help grow existing client AUM over time, because advisors who offer them are equipped to provide advice as clients' needs change.

How to implement a holistic approach

The top advisors in our study believe that a holistic approach should be broken down into smaller, repeatable processes built on good client data. For example, when onboarding new clients, make sure you have a detailed, comprehensive discovery process to gather all necessary data as well as an equally thorough process to update that data throughout the client relationship. Discovery doesn't end at onboarding, but continues throughout the course of the ongoing relationship. As you know, clients' goals and priorities often shift—embed yourself into every pivotal milestone of your clients' lives so you don't miss an opportunity to serve them.

One common pitfall in comprehensive advice is potential gaps between what clients expect as a service versus what is actually delivered. This is a risk when offering additional services that are inherently more complex. A key way to prevent perceived service gaps is to identify which of your services are truly comprehensive, and communicate only those to clients and prospects. This helps manage client expectations from the outset.

LEARN FROM YOUR PEERS

Adding services like tax planning, retirement planning, and insurance can make it much easier to guide your clients through the unexpected and give them more reasons to work with you, remain with you, and recommend you to family and friends. Following is one advisor's take on the importance of offering comprehensive financial advice.

Mike Makonnen on "Life Planning"

Advisor Mike Makonnen from Makonnen Financial Group in Alexandria, Virginia, has built his entire practice around *"Life Planning,"* of which financial planning is a key component.

"Planning is everything," said Makonnen. "**We focus on the client's overall life goals, what they want to be remembered for, who they want to share their life with, and where they want to spend time.**" His approach is unique—and trademarked!

"I divide my clients into four groups based on their financial planning needs for their life stages," he said. "I call this *'Life Planning'* around their *'Go-Go, Slow-Go, No-Go, and Gone Years™.'*"

In each group, he incorporates specific investment management strategies aligned to clients' needs. He's also not afraid to bring up difficult subject matter that some advisors shy away from.

For example, Makonnen admitted, "In every planning meeting, we discuss what would happen if the client suddenly passed away today."

STRATEGY 4

ALIGN YOUR PRACTICE WITH YOUR VALUES

90%

of top advisors incorporate their values into their written client selection criteria.

Advisors who take this values-driven approach are

3x

more likely to be a top performer.

Your personal values should shine through

Our values are at the core of everything we believe and do. However, defining our personal values is often an overlooked step, and advisors may not always think about how to incorporate them into their business.

Let's be clear. The financial industry is not an effortless or easy profession to stick with long-term. Cerulli Associates reported that up to 70% of advisors fail within the first three years of entering the industry.* The most common challenges advisors attribute to a practice failing are difficulty finding clients, burnout, or lack of fulfillment. Burnout and lack of fulfillment point to why it's so critical to build your practice around your values.

More than 70% of top advisors we studied felt their business was "highly" aligned with their values, making them nearly 40% more likely than others to feel that way. And not only have they clarified their values and missions internally, they've made them known to others. Nearly 90% of those high performers have a written value proposition or mission statement that is publicly posted, and similarly, nearly 90% incorporate their personal values into written client selection criteria.

Letting your current and future clients, team, and professional partners know your values and criteria attracts those who are the right fit for your practice.

*Source: Cerulli Associates US Advisor Metrics 2022

LEARN FROM YOUR PEERS

So you want to know more about how top advisors were able to transform their practice by incorporating and upholding their values? Here are their stories.

Michael Crews' approach to aligning his values and his business

"We look for what we have in common with our clients," said Michael Crews of North Texas Wealth Management in Dallas, Texas.

Sounds simple enough, but Crews expanded on that thought.

He continued, "What shared values do we hold? For example, **my core values are family, service, and giving back, and I look for that in our clients as well**. We created an advisory board of around ten clients who embody our shared values and talk through the direction of the practice from this common lens. We've had about 60 clients rotate through this advisory board over the years, helping us stay aligned with our clients' values and improving the client experience."

Crews and his team also developed an assessment that helps them understand how those aligned values will translate into how clients perceive money and wealth, how their clients' plans need to incorporate money, and what their clients' definition of "success" is.

But Crews doesn't stop there. "Not only do we think about values, but we also **think about finding alignment in personality and style**. My practice doesn't shy away from looking at charts, graphs, and digging into spreadsheets when meeting with an analytical client! We work with a bunch of analytical folks, and many of our clients are engineers."

Mike Murray on introducing values to prospects

"Selectivity" wasn't a word Mike Murray of Danvers, Massachusetts-based Peabody Wealth Advisors used much early in his career. But now selectivity and matching clients to his firm's values are central to his success.

"The morale of the team greatly improved after we became more selective about aligning clients with our firm's values, choosing not to work with prospects who didn't share our philosophy, and asking some existing clients to find another advisor who may be a better fit for them," said Murray.

"It took a few years to make sure the practice was financially stable, and we could meet our business obligations like rent and payroll as well as gaining the confidence to have these conversations. But at a certain point you realize that if you let a prospect who's a bad fit become a client, they are likely to be unhappy, leave the practice, and possibly give negative feedback about you and the firm. It may cost you more in the long run than if you never brought them onboard in the first place."

With that knowledge, Murray was convinced that they needed to **be selective with prospects early in the process to avoid "bad fits"** and allow his team to focus on serving the "good fits."

He added, "The initial discovery meeting with a prospective client is crucial. We follow a repeatable process, and I always end the meeting by asking the prospect, 'What are your expectations of me and the firm?' I then let them process the question and answer without guiding them in any direction. If their expectations don't align with our philosophy and values, or if their first questions are about fees and investment performance, I politely say 'I really appreciate your time, but I don't think this is going to be a fit for either of us.'"

His parting advice: Don't wait. "I want to enjoy going to work and talking and spending more time with my clients and team," said Murray. "I only wish I had started this pre-qualification process earlier. I've never looked back since."

CLOSING

WHAT'S NEXT?

Reach the success you envision.
To learn more, visit
https://www.lplbusinesssolutions.com

Start small—start putting some key learnings from this white paper into action

Are you ready to operate like a CEO, optimize your time, offer comprehensive advice, and build a values-based practice?

It can feel daunting to try to do everything at once, so **it's okay to make incremental changes**. It's recommended that you focus on one of these four strategies and incorporate it into your goals, whether at mid-year when you're reevaluating your goals and progress or when you start the goal-setting process for next year.

For example, you may want to start better aligning your values with your business. Take time to go through that exercise with your team, talk to your clients, put it in writing, announce it to the world, and determine what client relationships fit in your values-based approach. Or maybe you've already checked that box, but need to focus instead on ways you can kick-start consistent growth. Take your time and do it thoughtfully.

Whatever your course of action, as you strive to become more like the top advisors in our study, **you don't have to go it alone**.

Many top advisors are leveraging LPL's depth of services. With over a dozen offerings and more on the way, we can help you achieve your goals, whether it's fine-tuning your operations, preparing for growth, or planning for the future.

When you're ready to take the next critical step and want LPL's support, or if you just want to have a conversation about how we can help you pursue your extraordinary business, LPL Business Solutions is here for you.

APPENDIX

A NOTE OF THANKS

We'd like to thank these top advisors for participating in our study and for generously sharing their time and insights.

Wes Burns, CFP®, CLU®
Founder, President, and Lead Advisor, Transformational Advisory Group
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Julia Carlson
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Michael Crews, MBA, CFP®
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Jennifer Strong, CFP®
Founder, Strong Financial Network
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Lori Tauring, CLF®
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Bloomington, Minnesota

James Warner, CFP®
Lead Wealth Advisor, Warner Group
Shelton, Connecticut

In early 2023, we studied 250 advisors enrolled in CFO Solutions, including 175 who qualified for either LPL's Summit or Masters production club levels, and 75 who were not club qualifiers. Summit and Masters qualifiers are the top 1,100 independent advisors at LPL by revenue generated.

We then incorporated more than 50 quantitative and qualitative variables to assess what metrics were most associated with Summit or Masters qualifiers versus non-qualifiers. Traits with a higher likelihood of being held by Summit or Masters qualifiers are featured in this study.

Advisors featured in this paper met at least 27 criteria out of a 36 variable test, to ensure their businesses holistically represent at least some of every major category discussed within this paper.

Additionally, all advisors featured were enrolled in CFO Solutions as of June 2023.