THE 3 MOST EFFECTIVE STRATEGIES TO HELP GROW YOUR PRACTICE’S VALUE

An LPL Financial internal benchmarking survey of top advisors explores the three most powerful ways to help grow your business and maximize your practice’s value.
Every day, you work hard to serve your clients, guiding them in their financial journey and providing them with the advice they need to address their goals. Those relationships are the backbone of your practice. But what about your goals?

**KNOW YOUR NUMBERS, KNOW YOUR BUSINESS**
Knowing the value of your practice—and how you can influence it—can play a huge role in growing your business and finding long-term success. Understanding value should drive everything you do, from the structure of your business to your plans for the future. By understanding and focusing on value, you’ll find new potential ways to maximize your time, manage your practice, and ultimately grow your business.

**MAKE A PLAN FOR GROWTH**
Conventional wisdom holds that value is based only on revenue, earnings, and portfolio performance. But these are only a few factors that go into a business’s overall value. Value is also largely driven by future expectations—where your practice is heading over the next several years.

The recently released *2018 Advisor Benchmarking and Practice Management Study*, a combination of LPL data and a survey of 716 LPL advisors, provides insight into what some of the most successful advisors are doing to manage their operations, strengthen relationships, and grow the value of their practice.

The survey’s key findings indicate that advisors who are more likely to grow their businesses and the values of their practices:

- Apply strategic planning to their businesses
- Outsource non-core office functions
- Focus their time on business development and client retention
1. OUTSOURCE: LOOK OUTSIDE YOUR WALLS FOR HELP

As an independent businessperson, it may fall on you to manage every aspect of running a successful practice—from meeting every client need to handling routine administrative tasks. If this describes you, then time is likely one of your most valuable—and scarce—commodities. As your business grows and the world of financial advice becomes more complicated, routine operations can take more and more time—hours that you could spend cultivating client relationships and growing your business.

The good news? You have more options than ever to help take care of day-to-day operations. While you may have staff to help manage some administrative tasks, you can also farm out nearly any task to an outside provider—including human resources, technology, research, and compliance. These options help many financial advisors grow their business by allowing them to focus on what they do best—building relationships, driving revenue, and ultimately increasing value.¹

Our 2018 Advisor Benchmarking and Practice Management Study bears out the value of outsourcing. It found that practices that outsource functions such as operations/human resources,
technology, and research/investment management saw dramatic increases in their valuations [Figure 1].

Firms that outsource more also see an impact on their bottom line. Our study found practices that outsource two or more routine functions saw higher growth in new assets and revenue [Figure 2].

However, you’re likely to have several concerns: Will it cost too much? Will you lose control of your practice? Do you have time to shop for vendors?

Better questions might be: What do you enjoy doing? What are you good at? By outsourcing the functions that are a chore for you, you’re free to focus on the aspects of financial advice at which you excel: networking, spending time with clients, and building relationships.¹

**Get Started**

A good way to kick-start the process is to analyze and prioritize which activities you could potentially outsource.

- Inventory your routine tasks.
- Identify the time-consuming, frustrating, or complicated tasks that eat up time and energy.
- Calculate the cost per hour of those activities that aren’t bringing a return.²
- Consider an outsourcing matrix developed by one CERTIFIED FINANCIAL PLANNER™ practitioner. She assigns key functions to one of four categories:
  1. What you’re good at and like to do
  2. What you’re good at but don’t like to do
  3. What you’re not good at but like to do
  4. What you’re not good at and don’t like to do

Then outsource the tasks that fall in the last category.¹

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**FIGURE 1: Valuation by Outsourced Function**

<table>
<thead>
<tr>
<th>Function</th>
<th>With Outsourcing</th>
<th>Without Outsourcing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations/Human Resources</td>
<td>2.30</td>
<td>1.80</td>
</tr>
<tr>
<td>Technology</td>
<td>2.20</td>
<td>1.90</td>
</tr>
<tr>
<td>Research/Investment Mgmt</td>
<td>2.10</td>
<td>1.80</td>
</tr>
</tbody>
</table>

**FIGURE 2: Revenue Growth by Number of Functions Outsourced**

<table>
<thead>
<tr>
<th>Number of Functions Outsourced</th>
<th>Revenue Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>1 to 2</td>
<td>4.0</td>
</tr>
<tr>
<td>More than 2</td>
<td>5.0%</td>
</tr>
</tbody>
</table>
OUTSOURCE INVESTMENT MANAGEMENT AT LPL

OBJECTIVE RESEARCH
The LPL Research team of investment specialists, analysts, strategists, and economists provides objective research, solutions, and support so you have the information you need to best pursue your clients’ objectives and preferences. The team also provides a clear explanation of their portfolio management process, arms you with the tools and commentary you need to talk performance with your clients, and is available to answer any questions you may have.

With model management handled by LPL Research and other experienced strategists, you can spend less time gathering information and more time on aspects of your business that only you can do.

STREAMLINED TECHNOLOGY
A key reason advisors, small-business owners, and institutions decide to partner with LPL is because of the technology that is designed to streamline client management and business operations.

LPL’s ClientWorks® platform serves as a digital back office that eliminates redundancies and many day-to-day tasks that cost advisors time and limit their ability to grow.

HIRING & STAFFING
Should you outsource or hire an additional full-time staff member? How will you find the right person and how much should you pay them? These are strategic decisions that our Business Consulting team helps advisors navigate to ensure they’re managing their overhead, remaining competitive in the job market, offloading tasks that can otherwise be automated, and staffing with the right people that enhance the client experience and your bottom line.

LPL also offers a Virtual Admin service that provides advisors with an administrative assistant based in Fort Mill, South Carolina, or San Diego who can handle calendar management and client scheduling, CRM support, account openings, management of account notification, and resolution of rejected and NIGO paperwork, among other day-to-day functions.

Advisors who have subscribed to Virtual Admin are able to increase their focus on clients, and typically see up to a 70% reduction in rejected paperwork, a 50% average reduction in calls to the Service Center, and increased adoption of technology.
2. GET PERSONAL: STRENGTHEN EXISTING RELATIONSHIPS

When you reflect on your book of business, consider how much of your clients’ total assets you manage. You may be able to serve your existing clients at a greater level and deepen that business by strengthening your relationships with them. Building strong and personal ties based on trust and understanding can yield greater opportunities to monetize those relationships—by serving more needs, boosting goodwill, and creating client “stickiness.”

Deepening relationships with clients across your book of business has shown to boost growth and value. Our study discovered that a practice is likely to grow faster when fewer assets are concentrated with top clients. The alternative actually presents a greater risk: If you have more assets concentrated with fewer clients, losing one of those clients could have a significant impact on your practice. You can reduce that risk by balancing assets across your client portfolio. In fact, if the top 10% of your clients account for less than 45% of your assets, you can expect a higher valuation due to reducing that risk [Figure 3].

What’s the path to stronger relationships? It’s often a matter of establishing emotional relevance or a personal connection that goes beyond a client’s finances and investments. Always be ready to engage in a discussion of your client’s values, financial fears, family history, and long-term goals. That’s the sort of conversation that should
occur in an initial meeting, but philosophies, circumstances, and goals change over time, and it’s critical to stay up to date on a client’s evolving philosophy toward the future.  

Another way to strengthen your service to clients is to consider your relationships across generations. If baby boomers make up the bulk of your book, their Generation X children or millennial grandchildren will one day be making important decisions, about both their parents’ financial needs and their own. Each generation views financial advice and expertise through a much different lens: Boomers are looking forward to retirement, Gen Xers may be trying to fund their children’s education, and many millennials are trying to catch up. Your next client meeting is a good chance to start the intergenerational conversation. Just ask about the parents, or the kids, or the grandkids, and go from there.

Stronger relationships across your client base can mean moving from a product-based business model to a needs-based model, thus deepening your value proposition.

Get Started
What questions might you ask at client meetings to gain a deeper understanding of their financial picture and needs? Be sure to consider powerful, open-ended questions that invite a client to share their thoughts and feelings in depth. A few examples might include:

- How do you make important investment or financial decisions?
- How do you envision your life one year or five years from now?
- Is your outlook on the future generally optimistic or pessimistic? Why?
- What are your biggest nonfinancial concerns or goals right now?

Also, think about the opportunities you have every day to connect with another generation, whether millennials or boomers. Are you taking advantage of those opportunities?

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**FIGURE 3:** Top 10% Client Asset Concentration (Valuation)

- Less Than 45%: 1.94
- Greater Than 45%: 2.06

**FIGURE 4:** Valuation by Acquisition Activity

- Acquisitions: 2.50
- No Acquisitions: 1.75
Clients are increasingly relying on financial advisors to solve complex needs and financial goals. LPL offers access to a variety of products and platforms that enable advisors to tailor recommendations and serve each client in a way that’s customized to where they are and what they want to achieve.

LPL offers four centrally managed platforms that allow you to outsource certain investment management activities. All of the platforms are turnkey solutions that provide asset management, account administration, portfolio monitoring, and rebalancing:

- **MODEL WEALTH PORTFOLIOS (MWP):**
  Our premier centrally managed platform provides customization and flexibility for many client types, including those looking for a tailored portfolio that offers combinations of institutional money managers.

- **PERSONAL WEALTH PORTFOLIOS (PWP):**
  Tailored for high-net-worth clients who need a high level of customization, sophisticated portfolio management capabilities, and access to boutique products.

- **OPTIMUM MARKET PORTFOLIOS (OMP):**
  An option for those with less-complex investment needs who want institutional management and complete diversification in one solution.

- **GUIDED WEALTH PORTFOLIOS (GWP):**
  Our digital advice platform made for smaller accounts and younger generations.

LPL’s advisor-driven platforms provide flexible investment options and customization, where advisors can control all aspects of the investment management process:

- **STRATEGIC ASSET MANAGEMENT (SAM):** For clients who have a variety of investment vehicles in their profile or need customization at the investment vehicle and individual security level; the most customizable of all our platforms.

- **MANAGER SELECT (MS):**
  For high-net-worth clients who need customization at the individual security level, have heightened tax-management requirements, and prefer to own individual securities.
3. ATTRACT NEW CLIENTS: FILL YOUR PIPELINE

What are you doing to get new clients in the door? Whether you’re a new advisor or a veteran, there are several time-tested strategies for scouting new clients.

Cultivate Your Influence
Get outside of your inner circle and begin building a network that can provide ongoing referrals. Social media offers tremendous potential for expanding your network. But don’t forget the personal touch: Personal relationships tend to be more effective in cultivating referrals. You can also leverage your centers of influence, such as accountants, attorneys, and business roundtables.

Serve the Underserved
Instead of focusing on clientele with no shortage of willing advisors, like retirees or those nearing retirement with abundant portfolios, consider prospects advisors may not be looking at. Those demographics could include young professionals, who are just now settling into their careers and families and beginning to seek professional help in managing their financial futures.

Know Who Your Clients Aren’t
Good financial advisors know exactly who their ideal clients are, and aren’t. Demonstrate the courage to avoid a
potential client who doesn’t fit your philosophy of investing or financial planning and stay focused on those that do.7

**Market to “Pain Points”**
Marketing today is about finding clients at the moment they’re experiencing a pain point, whether a career change, divorce, inheritance, settlement, etc. Once you’ve identified those points, you can craft sharply targeted messages for use online or across other channels.8

As an alternative to nurturing new clients, you could purchase a book of business or acquire other practices. This gives you access to new customers, higher sales, more diverse distribution channels, and, ultimately, higher profits. Our study found a dramatic correlation between acquisition and growth. That is, practices with a higher rate of acquisition activity tended to show greater growth in new assets, revenue, and valuation [Figure 4].

In fact, advisors surveyed in the study contend that organic growth through referrals, workshops, and other outreach activities will never match the efficiency of growing through practice acquisition. One surveyed advisor said he found growth can be consistently harnessed and methodically attained, even with a higher client retention rate, through acquisitions.

**Get Started**
Are you ready for an acquisition? Consider these key questions before pursuing an acquisition strategy.

- What are your team’s goals and strategic objectives?
- Can your business’s current structure handle the onboarding of a substantial number of new households?
- What characteristics or product mixes are you looking for in an acquisition target?
- What are the potential risks in a target and how can they be reduced?
- Do your acquisition targets fit your competitive strengths or add to them?

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**LEVERAGE LPL’S CONTENT & DIGITAL MARKETING RESOURCES**

Whether you’re wondering how to create a marketing strategy or how to expand on an existing one, LPL has the resources to help. An entire team is dedicated to answering all marketing-related questions and offering consultations. In addition, advisors are armed with a plethora of tools for building campaigns, staying connected with clients, reaching out to prospects, and getting started on social media. Wherever you are with your marketing plan, we’re here to help.
The value of your business is more than the account numbers and assets you manage daily. It’s a mosaic of factors that act upon one another to drive that valuation. How you identify and take action is up to you—but you don’t have to do it alone.

LPL’s Strategic Business Solutions (SBS) team can calculate your valuation by using a unique model that analyzes revenue, expenses, cash flow, assets, return on assets, recent growth, and other factors. We can then work with you to develop and implement a business strategy for now and the future. Our SBS team can also assist with mergers and acquisitions—something you may want to consider for future growth.

You want to build something that creates the greatest value. We’re here to help. Visit www.JoinLPL.com or call 877-361-1417 to request your practice valuation today.

About LPL

LPL Financial is one of the nation’s leading financial services companies and a publicly traded company under ticker symbol LPLA. The firm’s mission is rooted in the belief that objective financial guidance is a fundamental need for everyone. LPL does not offer proprietary investment products or engage in investment banking activities; this means advisors affiliated with LPL are not pressured or influenced by LPL to sell its products. Thousands of financial advisors nationwide are able to rely on the firm’s tools and resources to help them provide financial guidance and recommendations to address their clients’ needs. For more information about LPL Financial, visit www.lpl.com.

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