FINANCIAL PLANNING

Wheel of Competence

When looking to transition to retirement, advisors should reach for the skills they have accumulated over time-for working with both clients and staff.

By Bob Veres

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I'm writing a series of e-columns on transition planning, interviewing people who are selling their practice to employees or grooming their business for sale to an outside party. For the past month, I have spoken with more than a dozen advisors about structures, client handoffs, earnouts and delegation issues.

I've also listened as they told me about the dysfunctions that arise when a founder gradually becomes an absentee owner, or when he or she starts milking the firm for maximum profit rather than investing in its future growth. But the more people I talk to, the more I've begun to realize that there's a bigger picture emerging-one that has implications in all areas of an advisor's practice.

CHANGING ROLES

Let's start with the transition issues. Jim Grubman, a psychologist and business consultant who helps owners and staff prepare themselves for the day an owner retires, recently told me that founding advisors, as they approach retirement, need to make a dramatic shift in their role within the firm.

All too often, he says, these advisors have followed the common management advice: They've hired people who have complementary (meaning different) skills. Now as they consider their retirement, they look at their staff and realize that no one is trained to do what they do. Who's going to take over their rainmaking and client-facing (behavior-changing) activities?

Suddenly, advisors approaching retirement begin to feel the burden of having to make every major decision and direct every major activity in the office during the transition period. With a finite number of working days left in their careers, they know that the greatest gift they can give their clients is an entity that will provide ongoing care when they exit the stage.

At the same time, however, retiring advisors' personal sense of importance is tied up in their role in the firm. If you make the firm less dependent on you, then aren't you less important? While this may not always be a conscious concern, it can tug invisibly on the whole transition process, slowing it down and even sabotaging it.

MAKING THE SHIFT

The solution? Grubman encourages founding advisors to start giving up hands-on management and replacing it with a new role that is just as important. Instead of serving as the information-decision bottleneck, they need to become the mentor, teacher and coach who encourages the growth and development of their employees. Instead of telling people what to do, teach them how to do it themselves.

The most essential skills to pass on and keep alive in your firm-the ones that are often handled by the founding advisor and no one else-require a great deal of emotional maturity. In their new role as mentors, advisors can coach the staff on how to listen to clients and what to listen for, how to know when and how to help people change their behavior and how to sit across from a prospect and rearticulate what that person needs and wants in a professional relationship-and then explain how you plan to fill that need so that it exceeds all expectations.

Mentoring in this most important area may not be easy, Grubman says, as most advisors learned to do these things intuitively; it's a little like a fish trying to teach someone how to swim. So, instead, he encourages advisors to do for staff what they've learned to do for clients: Take the time to listen, identify and encourage talent. Help each key staff person set and meet personal goals and offer highly personal recommendations and advice.

Starting to see the bigger picture here? One of the most common complaints I hear at planning conferences is how difficult it is to keep good staff. You hire these people (so goes the complaint) and train them, and then eventually they leave you, maybe taking a few clients with them. So what's the point of hiring them at all?

Mark Tibergien of Pershing Advisor Solutions has suggested for years that advisors view their staff as an investment, rather than a cost. Too many planning professionals consider the people they hire to be cogs in an expensive machine. When he asks whether the advisor would go to his or her staff members for financial planning advice, the answer is often: "Certainly not."

But as advisors begin to consider their own transition planning, as they take on a new mentoring role with their staff, as they pass on the skills they themselves acquired through years of experience, it is easy to see how these perennial staffing issues can suddenly resolve themselves. It's not uncommon, Grubman says, for the firms he consults with to have experienced a sudden spike in staff turnover or for the advisor's new mentoring role, at least in the early stages, to be treated with suspicion. However, if the planner can successfully transition from "boss" to "leader and mentor," loyalty and morale suddenly jump off the charts.

In Tibergien's phrasing, it sounds as if the staff is, first and foremost, a financial investment. Grubman, however, says that the money part is nearly an afterthought. The real investment is in training and (dare we say it?) visibly caring that each member of the team makes personal and professional progress.

The payoff is widespread: Staff members will take on more responsibility, be more loyal to you and the firm, and as they acquire your client-facing skill sets, they will make the firm independent of your rainmaking activities, and thus more marketable. These employees will unlock the value of your firm and make it possible for your clients to get the care they need after you've ridden off into the sunset.

A FAMILIAR SKILL SET

As I stated earlier, in order to shift into a mentoring role, Grubman suggests doing for your staff what you've done for your clients. Now he takes it one step further: The key to staff loyalty, he says, is exactly the same as the key to client loyalty.

Study after study shows that "investment performance" ranks surprisingly low on clients' lists of what's important in their advisory relationship, behind nebulous terms like "trust," "service" and "personalized advice." As advisors learned during the market meltdown, investment performance was far less important to clients than having someone to calm their fears, provide matter-of-fact input, listen to their concerns and take a detailed look at the numbers to make sure it was still possible to achieve their most important goals.

Just like clients, your employees want you to provide more than just money. The skills you need to best serve your clients are the same skills you need to get a great return on your staff investment. And the most important skills to pass on are those very same relationship, coaching and listening skills that you're using as the key to your transition planning.

LIFE PLANNING (AGAIN)

As this wheel continues to turn, as more financial advisors begin to contemplate their own retirement seriously, the various skills that we've lumped under the term "life planning" come roaring to the forefront. In this context, it's no surprise that the various life planning training programs are suddenly exploding in popularity.

The Kinder Institute trained 130 advisors in 2007; that number jumped to more than 400 both in 2008 and 2009, and registrations are on pace for a major new jump in 2010. Money Quotient more than doubled the number of new advisory firms it worked with in 2009, and Mitch Anthony's Financial Life Planning program is now available at the largest independent broker-dealers in the United States (LPL Financial) and Canada (Investors Group).

In new developments, a Financial Therapy Association will be founded this month. Also, educators at the University of Georgia, Kansas State University and Texas Tech University will soon be giving birth to a Journal of Financial Therapy.

These various life planning systems are doing something crucially important: They are capturing and codifying the best instincts of a whole generation of founding advisors. As transitioning advisors begin to apply some of these same skills to their employees and to their own practices, they will realize that life planning training and support is just one more way to help the next generation master the most important elements of a client relationship-and acquire the one irreplaceable skill set in any planning firm.

The big picture takeaway here is that the people who founded the financial planning profession are starting to figure out how best to exit the stage. Over the next 10 years, their key goal is to use their most important, most hard-won insights to ensure that their most important, most hard-won insights will survive them. Hopefully, they will.