

Build a Stronger Business with a Business Plan

Let's say you are a financial advisor affiliated with a brokerage firm who is ready to make the move to independence. You have a solid track record of providing investment management and financial advice. You have a list of clients that you are confident will want to come with you. You have been working with an attorney to handle your compliance and registration needs. Maybe you've even found office space and hired an assistant.

But before you open the doors to your new firm, you really should have a business plan in place. And a true business plan is more than just a spreadsheet with revenue projections and operating costs. It's the template that can be the springboard for your success in the marketplace.

"Many advisors decide to break away and start their own business without a formal plan," says Sam Richter, Chief Marketing Officer of ActiFi, Inc., a consulting firm for financial advisors and institutions. "They have some assets under management and expect to grow them. But few advisors have a well thought-out plan that differentiates them in their market."

The fundamental questions

In August, Richter led a webcast, hosted by TD AMERITRADE Institutional, that discussed the building blocks for an effective business plan. This article will cover some of the highlights of the webcast, so you can start to think about the plan you'll want to create for your business.

Initially, says Richter, you have to step back and ask yourself some basic questions. "To be a successful advisor, you need to know who you are," says Richter. "Before writing out a specific business plan or figuring out financial statements, it's vital that you think about some fundamental questions."

Among these questions, says Richter, are: *What's important to me? What am I trying to achieve? What are my core values, and how do those values align with how I want to do my job and who I serve?*

Richter acknowledges that financial advisors, by definition, are analytical people. They often are uncomfortable with or not

interested in asking what may seem to be "touchy feely" questions. But Richter points out that the advisor's role actually does require deep insight into human nature.

"When you're an advisor, you're not manufacturing widgets," says Richter. "You're working with someone's dreams. You're making important promises to people."

As a result, you need to have a good sense of your own goals and vision, so you can use that to differentiate yourself to your clients and provide a customized, relevant client experience. Richter describes a couple of simple exercises that he says advisors can do to help them clarify their vision.

One is to write a newspaper story that is going to appear 10 or 20 years from now in *The Wall Street Journal*. Your story should describe your incredibly successful advisor practice, says Richter, tackling questions such as "Where was the practice when you started, and how did you get where you are today?"

As you conduct the mock interview with yourself, you'll be able to write an article that reveals the ultimate vision you have for your firm. When you write looking back from the future, you can start to paint a picture for your ideal firm. Once that picture is in your mind, then you can start to craft the plan on how you're going to reach that vision.

Your mission statement

The second exercise simply requires a pad of Post-It notes. "I encourage people to think of all of the words that describe themselves, or concepts that they hold dearly," says Richter. "For example, write down words like 'integrity,' 'creativity,' 'teamwork,' 'competitive,' etc. I tell people, to write down 100 words that truly describe who they are."

The next step is to take all those separate notes and group together ones that are similar, like "integrity" and "honesty." Within each group, pick out the one word that comes closest to describing your core values.

As you go through this exercise, says Richter, "You'll get down to your top 20

fairly easily. The trick is to then get it down to your top five words. These are the ones that what will define you as a person. And because you'll be running your firm, they will also help define your organizational core values."

These core values help align your business strategy and passions—what gets you excited to go to work every day. Going through this exercise helps you determine the "WHY" you're starting your own advisory firm.

The next step is to determine the "WHO" and the "WHAT." You do this by crafting a meaningful mission statement. Richter has several guidelines for how to write a useful mission statement. It should be:

- Short, memorable, and clear
- Believable, realistic, and achievable
- Active vs. passive
- A focus point to guide decisions
- Implies what you're best in YOUR world at

Richter notes that a good mission statement is one that can be immediately understood by your staff and your clients. Once you've determined your mission statement, combined with the vision you have for your firm, you're ready to craft your formal business plan.

"You of course have to figure out if there are enough people interested in you to pay your bills—that's the financial part of your plan," says Richter. "But that becomes much easier once you know what's important to you, who you want to serve, and how you're going to serve them."

Richter and the ActiFi team have many other insights on how a newly independent advisor can produce an actionable, financially sound business plan. As a participant in TD AMERITRADE Institutional's Affinity Services program, ActiFi can offer discounts on its services to qualified advisors. For more information, visit www.actifi.com or contact srichter@actifi.com. 

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