Your Most Critical 30 Minutes this Month

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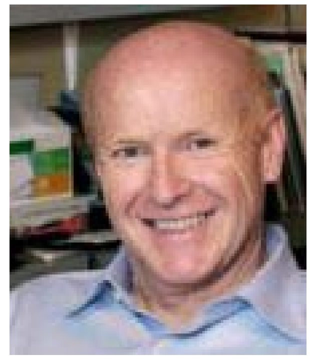

No matter how successful your business, today you can't stand still.

Twenty years ago, many prosperous businesses operated on auto-pilot – once retailers, manufacturing firms or financial advisors had a solid base of customers and were nicely profitable they simply kept repeating the things that had made them successful.

If it ain't broke, don't fix it was the watchword.

Today, that approach guarantees failure … in a world of intense competition and increasingly demanding customers, anyone who stands pat will be left behind. The only formula for ongoing success today is a commitment to constant improvement.

One key to making that happen is to identify the most important goals for your business and the *key performance indicators (KPIs)* to track your progress against those goals.

Having done that, you need to schedule 30 minutes each month to review how you're doing against those KPIs. Arguably, the time you spend doing this will have the highest payoff of any 30 minutes in a month.

Comparing your performance

All advisors should track performance in four categories – financial performance, practice performance, existing clients and new clients. In the perfect world, you'd compare how you're doing against a peer group of comparable advisors … whether at your branch, your firm or the industry as a whole.

Everyone will have different goals and different KPIs to track those goals … what's important is that you clearly define the goals that are right for you. At the end of this article are some key performance indicators to consider.

Meanwhile, here are some results reproduced with permission from the most recent *Insights* whitepaper by investment industry software firm PriceMetrix. This report features 2008 to 2010 data from 15,000 advisors at a broad range of Canadian and US firms; these advisors worked with over 2 million investors representing assets of $850 billion (so an average account size of $400,000).

PriceMetrix tends to work with full service securities firms, so the specific numbers may not be directly relevant to advisors with other business models, although the overall trends should be.

Key trends for successful advisors

Some overall observations from the PriceMetrix report:

1. At the end of December 2010, the average advisor had 193 household relationships, representing assets of $72 million and average gross revenue for 2010 was $522,000. For most advisors, the past two years have seen a substantial increase in productivity, with significant increases in assets and revenue per household.

2. Contributing to that increase in productivity was that households with less than $50,000 in assets dropped from 56% to 45% as a percentage of overall client relationships.

3. Fee-based accounts represent a growing portion of advisors' books, at 24% of assets, up from 19% two years ago. Fee-based accounts have seen a slight compression of revenue as a percentage of assets.

4. The average advisor attracted 14 new clients in 2010, compared to 16 in 2009 and just 9 in 2008.

	2008	2009	2010	% change 2008 to 2010
Assets, production and households:				
Assets (millions)	$66	$61	$72	8%
Revenue (000)	$488	$444	$522	7%
Client households	202	201	193	(4%)
Households < $50 K assets	56%	50%	45%	(20%)
Fee-based business:				
Fee-based accounts/advisor	53	61	76	43%
Fee-based assets (million)	$15	$15	$19	27%
Fee-based assets as %				
of total assets	19%	20%	24%	26%
Fee revenue as % of assets	1.41%	1.31%	1.32%	(6%)
% of fee assets priced > 1%	71%	62%	60%	(15%)
Per household measures:				

Assets per household ($000)	$328	$301	$370	13%
Revenue per household	$2453	$2405	$2944	20%
% with multiple accounts	51%	52%	54%	6%
New clients attracted:	9	16	14	57%

Source: PriceMetrix Report on the of Wealth Management

Possible key performance indicators

Below are some possible performance indicators against which to track progress.

No one should try to monitor this entire list; you need to focus on the ones that are key to your business. And once you've identified the relevant performance indicators, you need to set aside time at the beginning of each month to monitor your progress against your goals. Doing that will help you move your practice forward and avoid the stagnation that's the kiss of death for any business these days.

Possible KPIs: Financial performance
Assets
Gross revenue
Expenses
Net revenue

Possible KPIs: Practice performance:
% of assets in fee based accounts
% of accounts generating under $500 in gross revenue (the actual threshold for small accounts will very much vary with each advisor)
# of in person portfolio reviews with A clients
% of A clients with whom conducted portfolio review (in person or over phone)

Possible KPIs: Existing clients:
# of client defections with assets over $250,000 (or whatever your threshold is for a meaningful client)
% of clients with multiple accounts
% of clients with financial plan in place
% of clients with multiple needs met (investments, insurance, education savings, TFSA)
% of clients scoring a 9 or 10 out of 10 on satisfaction, based on a third party satisfaction measure
# of referrals

Possible KPIs: New clients
# of new clients
# of meetings with qualified prospects
# of qualified prospects in pipeline
# of qualified prospects added to pipeline

Possible KPIs: Key ratios:
Gross revenue as % of assets
Net revenue as % of assets
Expenses as % of gross revenue

Dan Richards *conducts programs to help advisors gain and retain clients and is an award winning faculty member in the MBA program at the University of Toronto. To see more of his written and video commentaries, go to http://www.clientinsights.ca.*