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INSIDE INFORMATION

The newsletter for serious financial advisors. (www.bobveres.com)

Special to this issue:

SILENCING THE ECHO CHAMBER

The T-3 Conference offered a look at the profession's transition, a lot of time-saving solutions, and one VERY interesting breakthrough in client communications.

Wow! That's really good! In fact, it might be *It*, the Holy Grail thing that I've been looking around for ever since, oh, at least the Schwab Conference last September when *a thousand* advisors cancelled their registrations and plane tickets because they didn't have *It* to offer their clients. The search intensified last November when we thought the markets had bottomed out, and it became a bit more urgent last month when the markets bottomed out again, and we all began to realize that keeping clients from stampeding with the herd was something we were going to have to take month to month. But to find it *here*, where I least expected it…

"Here" is the Technology Tools for Today Conference in Addison, TX, known as T-3 to those cool enough to have attended and brainstormed their office applications personally with presidents of their software providers in the exhibit hall. *Here*, the normal conference dynamics are turned upside down, so far that in the closing general session, when Dave Drucker and Joel Bruckenstein allowed the audience to share their feedback, input and highlights, there were unhappy complaints from attendees that seven hours of exhibit hall time over two days was *too little*.

Here, when advisors leave the exhibit hall to attend sessions, those exhibitors who are not presenting hold informal summit

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EARLY WARNING

• The NAPFA National Conference, June 4-6 in Washington, D.C. will have a killer all-day preconference compliance and regulatory schedule on June 3--worth the price of admission alone.

Meanwhile, Ron Rhoades, of FiduciaryNow (who helped with the format of the sessions) has put his ear hard to the ground, and says there is momentum building for BOTH a fiduciary standard for all RIAs and FINRA taking over as the SRO. The key question becomes: how will they define the enforcement of the concept--as a compliance (paperwork) chore, or via principles-based standards? (The buzz word, he says, is "transparency," which could go in either direction.)

The danger is that the fiduciary concept will be watered down by the way it is enforced, and for advisors practicing already as fiduciaries, the oversight and paperwork burden will grow.

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meetings to decide how to integrate data among their applications--or, for tech consultants like Jo Day of Trumpet, to get commitments to share specifications so that back at the office Kevin Day can write speech commands that will work with Jott to control CRM applications or feed client files.

And, perhaps weirdest of all, *here* the attendance levels were up an estimated 25%, to more than 370 advisors, in a year when other organizations are talking about canceling some of their meetings because conferences may be the first budget item that advisors are cutting back in this period of revenue compression.

The theme of the meeting, aside from the sudden emergence of *It*, was the idea that there are climactic periods in the planning profession when evolution becomes not just a matter of routine, but urgent, a condition of survival, and we are (like it or not) deeply in one of those periods today. Keynote presenter Richie Lee of Lee Financial in Dallas suggested that the planning profession may be hitting a tipping point where technology and human capital are now, suddenly, roughly equal contributors to a business's survival and prosperity.

Meanwhile, Greg Friedman of Friedman & Associates in Novato, CA, proprietor of the Junxure CRM system, addressed both issues in a keynote address which, by my count, mentioned his own software only twice in passing. In a session on mindmapping hosted by Janet Tyler Johnson and Gary Davis, Jr., Davis gave the audience a rundown of possible ways they can systematize their businesses, and a relatively painless procedure for making it happen. A session on mobile technology (the Blackberry and, increasingly, the growing power of cell phones as mobile devices), bordered on science fiction, except that things like defining how to connect data from a variety of databases from your computer into your phone, and defining the format of the different fields on your little telephone screen, is actually here--and the process of doing this yourself can be demonstrated in about fifteen minutes.

And one of the more interesting sessions of the meeting suggested that voice-to-text technology is now, finally, ready for prime time, and you could start, this week, dictating client notes (during or after meetings), send yourself reminders, dictate e-mail messages to staff while commuting, and even control your computer, create and update client files automatically without touching a keyboard.

Later in this newsletter issue, you'll get a full report on the sessions by Lee, Friedman, Johnson and Davis, and a separate article on the speech-to-text thing. (I won't even TRY to cover the mobile technology, except to say that Bruckenstein and Drucker think it will become a key part of the way you run your business at some point in the near future, and they have been near-perfect on this kind of forecast in the past. You are now on notice.)

But here, I want to get back to *It*, because in the middle of all the Darwinism and productivity and all of us feeling kind of inadequate because what is being demonstrated in the exhibit hall is one to five light years ahead of what's running in our offices, something surfaced which directly addresses an immediate need in every planning office everywhere; *It* is a way to keep clients from panicking in what is clearly a long-term market doldrums.

The *It* presentation came from Bob Curtis, who runs Pie Technologies, the creater of the MoneyGuidePro planning software. Curtis started by defining the problem, which you already know: the media and your clients' friends and neighbors have created an echo chamber of negativity that is, alas, reinforced every time you send them a quarterly statement or a statement arrives from the custodian. Curtis offered a diagram which shows where we are now; it had two bar charts, running left to right, one ranging from fear (panic at the extreme end) to irrational exuberance on the other, the other ranging from zero risk tolerance to virtually unlimited capacity for (upside) risk.

Back in those hardly-remembered days when clients were experiencing irrational exuberance, their ability to tolerate risk was high. Today, when they have moved all the way over to the panic zone, they are saying they can't tolerate any more bad news. "People in the echo chamber are saying to themselves, I'm going to run out of money," said Curtis. "I can't take this any more. I'll be eating dog food in retirement."

The goal, of course, is to keep yourself and your clients somewhere in the middle of these graphs, between the extremes. The *It* question today is: how do you pull your clients back from the panic/zero tolerance extreme of the two spectra to a more reasonable view of what's going on? How do you convince them that even though the markets have retreated dramatically, the sky is not falling in with regards to their lifestyle and their goals?

The fundamental problem is that most advisors have given their clients a plan that either succeeds or fails, a binary set of outcomes to which we then (if we're very sophisticated) attach a Monte Carlo-generated chance of success. If your clients are like those in Curtis's slides, they have seen their plan move from a 90% chance of success down to something in the mid-40s. No wonder they're panicking!

But… What if the plan is more nuanced?

Curtis noted that the traditional financial plan includes all of the aspirational goals that a client has given you, as well as what might be called the subsistantive. You have the costs of eating and keeping a roof over their heads, and also the costs of traveling to Europe once a year and buying a new Lexus every couple of years. This "single point goal," as Curtis called it, will have a fixed retirement date of, say, age 63.

Here's the point: if you were to strip out some of the aspirational goals, or scale them back a bit, and rerun the numbers, clients will discover that they are in far greater danger of driving a Honda instead of a Lexus than they are of eating dog food. And, Curtis added, most clients are already mentally scaling back their aspirational goals far beyond what will be necessary.

The issue then becomes: how do you present this to them so that they can see not only that they're all right today, but that they will be all right even if the markets drop another 30% or so before resuming a more normal upward flight path?

If you rerun the plan as is, you will be showing clients the scary drop in chances of success from 90% to 40%. Instead, Curtis demonstrated some features in MoneyGuidePro version G-2 which are VERY cool, but which are not totally outside of your ability to replicate with another program.

The process starts by taking a more nuanced look at client goals. You ask when they want to retire, and get an "ideal" and "acceptable" number. Ideally, they would like to retire at age 64. But they give you age 66 as acceptable, something they would still be satisfied with. "Notice that we are not talking about the absolute worst outcome," Curtis said to the group. "We are talking about an outcome, which they define, where they will still be satisfied."

You do the same with travel, the same with the expense of the car they will buy every two (or, maybe, four) years, and all the other expense variables. The subsistantive goals, like food and shelter, are held steady. "The goal is to look at where you are below the ideal, but are comfortably inside the acceptable range," said Curtis.

MoneyGuidePro's latest G-2 version offers a process called "supersolve," which lets the client see that even though the chances of succeeding with the aspirational plan (the plan that you probably offered your clients) is down to 40%, they're still in the 85% range somewhere in the

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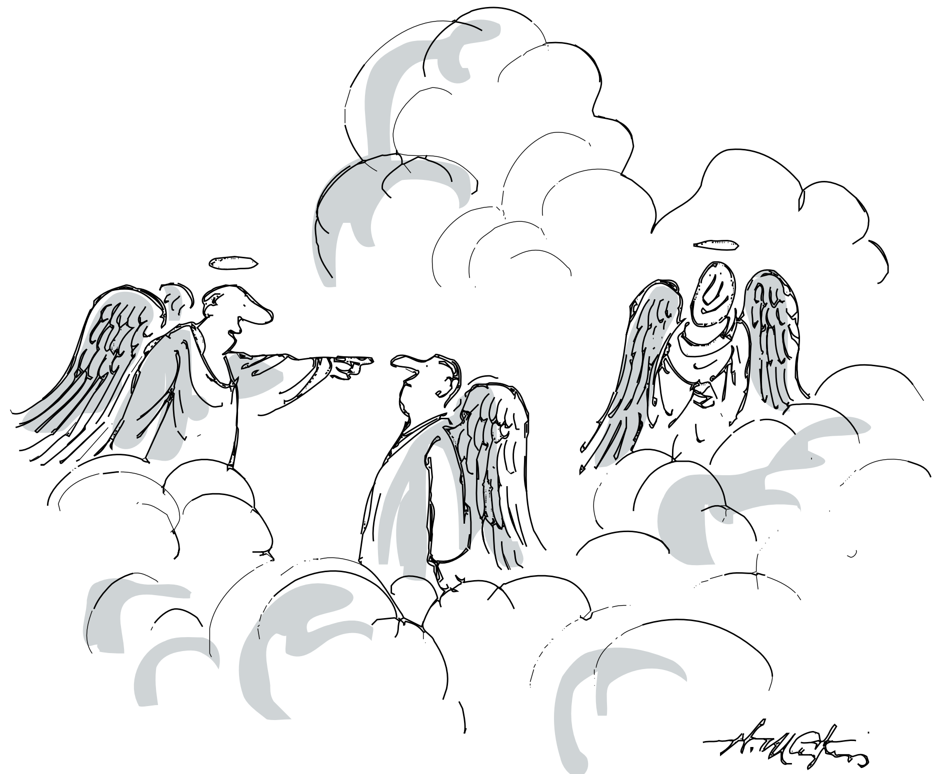
middle of the "acceptable" range of the spectrum, and at the far left side of the acceptable range (still not susistantive, but scaled back to their bare minimum acceptable), their chances of success is up over 90%.

They're not only not going to be eating dog food; they are still in the comfortable, acceptable range--AS THEY HAVE DEFINED IT.

Then you rerun the numbers with a 30% drop, and Curtis recommends that you add in the value of the house--some kind of reverse mortgage income at some point late in retirement. For the hypothetical couple that Curtis used in his slides, the market drop and the addition of the reverse mortgage very nearly balanced each other out. The client was still deeply in the acceptable range. (Incorporating reverse mortgages into the Supersolve algorithms will come with the next MoneyGuidePro upgrade.)

Of course, there will be some clients who can't get a high chance of success in their acceptable range, which means you need to have a conversation around what is acceptable. The clients may decide they won't travel as much in their late 70s and may stop traveling altogether in their 80s. They may scale back the costs of their automobiles, decide to live in a smaller house or otherwise make compromises which will almost certainly not be as drastic as where their imaginations were taking them.



"You were a Wall Street executive? Have Simkins over there recheck your paperwork."

Curtis summed up *It* when he said that "Things are worse than clients like, but generally better than they fear."

I should mention that this luncheon presentation was actually a co-presentation with Dr. Linda Strachan of the EISI Software company--makers of NaviPlan, owners of the Profiles software program. Strachan talked eloquently about how advisors need to rest their value on planning as opposed to money management, and that the planning advice becomes more important for client retention and client referrals in these down market environments.

This was certainly correct. But I think most advisors have been scratching their heads a little as the herd began to stir uneasily, and more recently as friends and neighbors of your clients have been rushing to capitulate to the bear, as the echo chamber becomes louder and your performance statements add to the volume.

You have all these analytical tools; which one can you use, and HOW can you use it, to keep your clients from panicking with the herd. Strachan, who spoke first, set the table for Curtis to show us the crowbar that can pry clients off of the left panicky zero risk tolerance end of the spectrum back toward the somewhat uneasy center, where they see that even though things are worse than they would like, they are better than their fears.

I think virtually any advisor can use this tool with their clients using their existing planning program, but I also think that we should look at MoneyGuidePro in a new light, as perhaps the first software anywhere to get beyond the binary thinking that is so natural to a computer, into the fuzzier world of human decisions. You can, and I think (if I may be so bold) you *should* have the meeting that Curtis recommends, and show clients the differences between subsistence, acceptable and aspirational. The process will be more elegant and certainly less time-consuming with MoneyGuidePro--and I suspect in the future that because of this G-2 breakthrough, a lot of decisions and a lot of plans in a lot of industries will eventually become easier to model and figure out, as we move beyond the binary way of looking at success or failure.

But that's in the future, and you are living in a present which, if the markets maintain this slow leak, should appropriately be measured week to week, month to month. We were given *It* in a presentation that is a perfect marriage of information and the times it was offered to, and you, reading this, are among the very few in the planning world to know of this approach to turning down the volume in the echo chamber.

Use it to your advantage.■

Practice Management

Change Mapping

Most of us want to introduce new efficiencies in our practices, but the process looks messy and overwhelming. Three presentations helped tame the complexity.

The theme of the recent Tech Tools Conference coincided nicely with the theme of the times: in this market, all the usual margins of error are gone, and Darwin's law rules the landscape. Some planning practices will survive while others will not, and the dividing line is likely to be found in how well and how efficiently those practices are managed.

Of course, during the two-day conference, advisors, exhibitors and consultants addressed that theme by taking turns on panels and on stage competing to see who could offer the most compelling savings of time and money. Bigger picture, Joel Bruckenstein, one of the founders of the conference, co-editor of the Virtual Office News newsletter, noted at least twice that the profession appears to have a systemic tendency to underspend on technology: credible research suggests that almost half of all planning practices spend less than 4% of their budget on software and hardware each year, and that only a quarter of them have an actual financial planning software program loaded on their desktops.

But the biggest picture assessment came from a prominent practitioner.

In his luncheon keynote address, Richie Lee, founder of Lee Financial Group in Dallas, offered an outline of the specific practice management challenges that are not only facing advisory firms, but are beginning to emerge as key issues at all companies everywhere during this period of global business transition. His thesis is that there are a relatively small number of major moving parts that have to be managed effectively in our journey to the future. If you can do get these parts in gear, then your efficiency and service offer will increase dramatically.

In Lee's view, there are five drivers that determine how successful a company can be in today's environment.

1) **How well do we handle the enormous overload of information that is available to us?** Lee divided this question into two parts: how do you gain access to more and better information, and how do you use that information once you have it?

2) **How well can a company adapt to the changes and evolution of infrastructure and technology.** "How well we manage the *system* has become as

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important, maybe more important, than the actual skills and talents of the employees," Lee told the group. The goal is to constantly maximize the effectiveness of the system, so the employees can use their skills more effectively. Lee predicted that in this environment and going forward, smaller firms will have to network among themselves to utilize technology effectively--and Lee himself is a founder of the 20/20 study group of midsized to larger practices.

3) **How well do companies listen to the needs of their clients?** "The world of our clients is changing at supersonic speed," Lee said. "Just when we think we've finally figured out what our clients want or need, poof! The state of the art moves in another direction."

4) **Whether or not we fall victim to entrenched belief systems and legacy processes.** This was perhaps the most controversial part of the presentation, and certainly the one which took the most time in the presentation. Lee said that at rare inflection points since humans have emerged from caves, we suddenly discover that everything we know is wrong. Then he told the audience that today is one of those times in the world of economics. "We have to be able to get past the things we have believed in for years," he said.

For instance? Exhibit A was the demise of modern portfolio theory, which Lee believes is based on flawed assumptions. He said at one point that investments are rebelling out of the constraints that we thought would contain them. In the best line of the conference, he said that today he is seeing so many damn Black Swans (a reference to the Nassim Nicholas Taleb book) flying around that he would like, for a change, to see a white one.

The entrenched belief system trap also relates to a company's ability to adapt to new, more efficient technologies--or not. "The more successful your systems and technologies become," said Lee, "the harder it is to change them. Your progress virtually stops." Later he told the group that the bull market had entrenched a lot of bad habits in the profession, where people deferred hard choices and suffered with ineffective or surly staff and technology that required simply more work and effort than they were contributing to the bottom line.

5) **How well companies match technology and talent.** The takeaway here was the idea that the people who can make an enormous difference in your operation may not be those who are doing your front line planning, the support people whose talents are underutilized, and who are tending the systems that make it possible for the company to provide extraordinary service. "This is going to require young people to have the courage to approach the boss and say, here's how to do it better, faster and cheaper," Lee told the audience. Meanwhile, he himself is recognizing that people who had older-paradigm skills are no longer needed in the modern firm--and told the group that he's been firing people who simply have not changed with the times.

At the end, Lee suggested that each advisory firm's value is based on a daily valuation of four components:

1) Financial capital;

2) Customer capital (the loyalty or persistency of client relationships);

3) Intellectual capital (the ability of the company to acquire and use knowledge on behalf of clients); and

4) Human capital (the talents and knowledge of the employees at the firm).

Evaluation systems

If advisory firms are underspending on technology, and losing the chance to buy dollars of operational savings with nickels of office productivity investments, then the problem might be the lack of a process. In another keynote address, Greg Friedman, of Friedman & Associates in Novato, CA, proprietor of the Junxure CRM system, offered a systematic way to make wise investments in your office technology.

Step one is to perform at least a rough assessment of how much time you and your staff are spending on each client or on various tasks and projects that you undertake for clients--everything from writing a comprehensive plan to scanning, marketing, answering client questions, researching investment opportunities or creating an investment plan. Normally, having each staff person track his/her time is recommended so that you can uncover which clients are paying you less in top-line revenues than they are costing in staff time. But it will also help you identify where you have high-cost talent doing low-cost work. Friedman talked about how he discovered that his senior casewriters were spending hours scanning documents at the office. When he discovered this, he hired a group of high school students to come in periodically to handle those chores. Presto! Instant capacity for more important or complex tasks that weren't getting done on time.

You may also discover that some staff members simply don't have the aptitude or the attitude to adapt to new software initiatives. "I don't know how many times I've heard an advisor complain that he bought a software package and nobody was using it," Friedman told the audience. "Then you go in and discover that the staff has trouble turning on the computer."

In most cases, however, the problem is that employees are comfortable with their current routine, and may not see the advantages of going paperless or automating the process of generating quarterly reports documents. Friedman said that every business owner has the responsibility to convey what the new software is supposed to accomplish and how it will, if properly implemented, make the staff's lives easier and enhance the customer service experience. "Explain, promote, paint a picture of what it means," he said. And if all else fails, he recommended that you simply tie utilization to their performance bonus. "Sometimes capitalism works," he added.

Friedman gained a lot of credibility with the audience when, instead of promoting Junxure over Redtail, ProTracker, Upswing or the other CRM programs, or promoting the purchase of new software at all, he said that before you look for something to buy, you should first check if your custodians offer a free solution--such as automated account opening or a better interface with your office's systems. "There are some heads of technology from major custodians right here at this meeting," he told the group. "The first thing to do is ask them if they can solve your problem."

From there, Friedman broke the process of acquiring new technology down into manageable steps. First, create a written process for each of the tasks in your office--which means document the various steps that are required to make them happen: bringing a new client into your system, generating ongoing client communications, the account transfer processes and (his most recent challenge) trading. (As it happens, another session offered more detail on this part of the discussion, as you'll see in a minute.)

Next, prioritize with your staff what you want and need to happen, putting your highest-impact projects first. Set clear time frames and expectations with the staff, obtaining staff feedback and buyin. "If you don't get their inputs and thinking from the start, you'll miss getting their real world perspective, and may jeopardize buyin," Friedman told the audience, adding "And this may come as a shock, but some of you don't know everything about what goes on in your office."

Next? Budget enough time to look at the various competing products, and assign somebody to do this. "Making a good initial decision is hugely important," said Friedman.

How should that person proceed? Friedman listed sources of general information: industry publications (the Virtual Office News newsletter is currently light years ahead of the competition), from consultants and custodians, from networking at industry meetings and conferences, and finally, when the field has been narrowed a bit, obtaining a lot of free demos and information from the vendors themselves. He warned against making a decision based on discussion forums, noting that anybody can have a bad experience with any piece of software, and disgruntled customers typically make a lot of noise. In one of the better lines of the meeting, Friedman told the group, "I know you are all wonderful people, but statistically, one or two of you are freaks, and those people tend to attract a lot of attention. So don't use the forums as your entire due diligence process."

After the purchase, everybody needs to start learning how to use the program--and Friedman suggested that this may be the most dysfunctional part of the entire process, in part because

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advisors often assume the staff will learn to get the most out of a very complicated piece of software on the fly. Friedman suggested that you incorporate constant, ongoing training into the software budget. Start with whatever free training the vendors provide, and find out what other training they offer for a price.

At the end, Friedman talked about implementing CAN-I--Constant And Never-ending Improvement. CAN-I also includes ongoing training, and one of the best takeaways from the meeting is his own planning firm's policy of requiring every staff member to get four hours of outside technology training a quarter, either from online sources or classrooms. The really good part was that he requires the staff to then bring back to the rest of the staff three key things they learned about the software--be it Excel or Word or Junxure or Naviplan. This forces them to pay attention and come back with something useful, and it also makes their training available to all other staff members.

Mapping the course

Sometimes, the hardest part of this process is the first: motivating yourself to document the steps you take to, for example, obtain a client file for review when a client comes into the office for a meeting or calls on the phone to ask a quick question. Would it be easier to have the notes from every phone call with this client, and the details of the most recent financial plan and stock positions and values all available on-screen seconds after you take the call, rather than having to dig it out of manual files and get back to her with the information she's asking about? Would it be easier if one program populates a new client's basic information into other programs, or have the quarterly reports generated automatically, with all the disparate documents being automatically collated inside the computer before printing, and all the pages in the collated document having consistent page numbers?

A keynote presentation by Janet Tyler Johnson of JATAJ Wealth Advisors Network in Blanchardville, WI (www.jatj.com) and Gary Davis, Jr. of Beneficial Concepts Group, LLC in Stockton, NJ (www.beneficialconceptsgroup.com) looked at the process of mind mapping, which may be the only powerful practice tool that can be explained in three sentences or less. Mind mapping is nothing more (or less) than a freeform brainstorming process where you put the general subject you want to think about in a circle at the center of a horizontal page, and then, in the space around it, in no particular order or structure, you write down considerations, goals, ways to achieve the goals, ideas, key questions and anything else that pertains importantly to the subject. Then, in the last step, you organize this collection of ideas and issues by drawing lines between them and between them and the central subject.

Johnson invited the audience to spend a few minutes outlining what their ideal business would look like in five or ten years (or two; there is no magic time frame), including details such as where the offices would be located, whether the firm would be large or small, have virtual or actual employees, etc. Then she turned the mind mapping process in a different direction, asking clients to mind map their answers to three key questions during the initial interview. (Sample question: if you were to suddenly gain a windfall of money, what would you do differently in your life?)

Once you have your ideal practice in at least hazy outline, you might be more motivated to make the painful changes needed to achieve this pleasant vision. Davis suggested that you use mind mapping to define the best way to deliver certain services or accomplish tasks in the office.

Each of these involves what Davis calls a "process," which is defined as documented workflow that is proactive, efficient and accountable. "People have to be held accountable for making it happen," he told the audience. "Otherwise, it isn't a process, and it isn't likely to get done." Of course, the owners also need to document their processes; this is the necessary precursor to delegating to the staff tasks the owner should not be doing.

Perhaps the most valuable part of the talk came when Davis defined different processes in the typical planning office--each of which can be mindmapped and, when you have your ideas about how to streamline, automate or delegate those processes on paper, then you can look for software whose feature match up with some of the processes and improvements that you have on paper.

The list of processes, all by itself, makes it abundantly clear how darned much time and energy and labor it takes just to START to work with a client--and implies a variety of areas where this labor-intensive task might be streamlined or automated:

- Scheduling prospect meetings
- Preparing for the prospect meetings
- Generating the initial documentation that is necessary for the prospect to become a client in your system (agreements, regulatory documents, account transfers)
- Summarizing the prospect meeting and followup
- Compliance management testing (if applicable)
- Scheduling the initial financial planning meeting
- Organizing disclosure documents
- Generating the initial client questionnaire and document request letter
- Meeting preparation
- Summarizing the meeting and followup with the new client
- Generating the initial financial plan
- Generating an Investment Policy Statement
- Opening new accounts
- Overseeing and implementing the transfer of assets
- Billing
- Implementing and monitoring the portfolio management
- Creating quarterly performance reports
- Ongoing account maintenance
- Scheduling followup meetings
- Taxable account contribution/distribution tracking
- Rebalancing
- Harvesting tax losses/gains
- Ongoing investigation of current and potential recommended assets
- Approved investment selection tracking
- Watch list investment selection tracking
- Creating a monthly or quarterly newsletter for clients
- Annual budgeting
- New employee training
- Ongoing training and tracking
- Marketing/center of influence cultivation
- Holding employee performance reviews and determining bonuses
- Ongoing reviews of technology (software and hardware)
- Cross-training staff
- Compliance reviews and testing

Whew! There are actually about a dozen more in Davis's list, but I think you probably get the picture. Davis offered a sample mind map for the initial planning process; one little box radiating out from the center says "Review Questionnaire," and connected to that are three smaller boxes: Who reviews first? Data input. Review data. A second box from the center says "Agreement Signed," and off of that: deposit received, notify planners, and file document.

Finally, the third box says "Schedule Meeting," which connects to three other boxes: 1st meeting eight weeks from receipt of agreement; two hours each meeting, three initial meetings before plan is presented.

This mind map could be translated into a process where there are listed action steps (sample: "obtain signed initial financial plan agreement along with initial planning fee deposit"), due dates and the person who will be accountable for making this happen by the due date.

In the prism of the T-3 conference, you could view this process as an invitation to look at software that might automate some of the tasks. But Davis believes that the more fundamental issue is shifting responsibility for getting things done from the owner constantly supervising staff and telling them how to do things (top down), to the staff members looking at their own daily procedures and being responsible for finding their own time and cost savings.

What a concept! Owners and managers focus on the bigger picture direction of the firm and on spending more time working with clients than reviewing one more software demo.

The truest thing we can say about the current environment is that many advisors no longer have the luxury of allowing their firms to run themselves and can no longer afford inefficiency. Many of the solutions offered here and throughout the T-3 conference represent relatively inexpensive (and sometimes free) upgrades to the current way of doing things. The pain, the real cost of investment, is the planner's willingness to spend the time thinking about the change and following through on it.

The T-3 presenters did what they could to frame the issues for you, and to make that process as painless as possible. The rest, as always, is up to you. ■

Practice Management

Speaking Your Documents

A long-deferred boost in personal productivity has finally arrived.

As I start this next article, I have to offer a bit of a confession. There are times, idle moments actually, when I watch the teams of Medieval scribes in our office hand-copying issues of my newsletter using goose quills dipped in ink, or sometimes when I'm chiseling out these words you're reading using state-of-the-art Stone Age hand axes, that I wonder if there might not be some useful technological innovations that I haven't yet incorporated into my office routine.

Generally, I shrug my shoulders and conclude that changing my business habits would be much too painful and difficult, and the productivity returns not worth the effort. But then I find myself moderating a panel like the Speech to Text session at the Tech Tools meeting, and I realize that I may not be quite as far out on the bleeding edge as I thought I was.

Truth to tell, though, I had given speech-to-text a chance; in fact, I had tried it twice; first when Dragon Naturally-Speaking first came out 12 or so years ago, and after spending painful hours reading the full text of *War and Peace* into the headset, I was able to train the software to the point where I would say, clearly and slowly, *"We are finally entering the modern age of productivity,"* and magically, right there on the page, the system would give me a Word document bearing the words: *"Weaver's fine lee and touring the modem a Jove Pro dock if a tee."*

Three years ago, I tried again, encouraged by the promise on the box that this time I would enjoy a 95% accuracy rate. I think I may actually have achieved 95% in some Chinese dialect or another, and please don't get me started on the formatting. I decided at the time that speech to text was another one of those cruel jokes that the programmers play on us in their spare time, like artificial intelligence.

But wait! According to my practice consultant panelists, Laurie Gripshover of LDG Coaching (laurie@ldgcoaching.com) and David Lawrence (www.efficientpractice.com), it is now possible to capture your thoughts, ideas and reminders in text format by simply speaking them aloud while you're driving to and from work, create full documents and e-mails without typing, automatically transcribe dictated material, dictate commands to outsource providers, manage to-do lists, calendars, texts and e-mails hands-free, and even send instant messages or text messages to your children, who probably believe (correctly, in many cases) that you have no idea how to navigate the telephone keypad to create text messages.

"Today, I can create and document my notes after a client meeting," Gripshover told the audience, adding that she dictates written training materials to her staff, sends e-mails, posts to her blog, writes proposals, drafts letters and correspondence, and listens and responds to her e-mail messages while she's driving. She can even receive her voicemail in text or email format.

How? Gripshover outlined three different options. The first, and easiest, are the short-form providers like Jott (www.jott.com), Dial2Do (www.dial2do.com/home/movie), ReQall (www.reqall.com), and a variety of iPhone Apps. These are basically dial-up services where you call in, say where you want the email with the text to be sent (you, your assistant, your outsource provider, your daughter's cell phone), then dictate what you want the document to say, and then go on to the next. For each of these, you're limited to the amount of text you can use; this is ideal for quick e-mail responses and reminders to yourself and others. Cost is $5-$15 per month.

Similar to these are longer-form providers like CopyTalk (www.copytalk.com), WorzXpressed (www.worzx.com), which typically charge by the word, and can therefore become more expensive as a line item on your monthly budget.

The alternative is Dragon Naturally Speaking Version 10 (http://www.nuance.com/

"You're too late. Congress approved our bailout package ten minutes ago."

naturallyspeaking), which Lawrence covered in some detail in his part of the session (and also mentioned in passing programs called Pinger, Message Sling and SpinVox). Lawrence said that Version 10 represents a huge upgrade over Version 9, both in ease of use and also in accuracy, though he warned the audience that even though the software box says that you don't have to train Dragon, in his experience you DO need to read sample text into a word file and correct what the program delivers to the page.

Lawrence uses the Professional version, which currently costs $899, while the Preferred edition costs $299. The difference is chiefly found in voice commands; both will allow you to speak directly into a word processing file, and both will give you voice control over the more common Internet browsers. But the Preferred won't give you control over Outlook (though you CAN dictate into Outlook files) or PowerPoint or Lotus Notes.

The audience directed virtually all of its questions toward Lawrence and the Dragon product; yes, he said, the software learns every time you make a correction (by typing) into one of the files you've dictated into, and yes, you can use the software as a mobile device if you buy a digital recorder (he favors the Sony ICD-SX68DR9 ($159.99), and he uses a dual-use Plantronics Voyager 835 Bluetooth Headset ($119.95) to dictate into it. Then you plug the digital recorder into your computer and feed your voice files into the Dragon program, obtaining the text, which you can then feed into the e-mails or other documents.

Both Lawrence and Gripshover said that the dial-up services tended to be more accurate (though not perfect) and they are certainly more flexible, not only capturing the text from your speech, but also allowing you to dictate where and how the messages will be sent.

The message here, though, is that you might be able to capture a huge leap in personal productivity; the time you currently spend behind a keyboard could become far more productive and efficient--especially if you aren't a rapid typist. I can report that the day of the panel, I went back to my hotel room and ordered the digital recorder and headset that Lawrence recommended, and I also plan to look into the dial-up services. I might even surprise my daughters by sending them a text message, which will almost certainly make them keel over and die from shock.

The only question I have now is: what do I do with this slightly-used hand axe? ■

Practice Management

Management Insight

A new consulting firm is born out of a familiar name--and offers some perspective on today's planning environment.

Unless you have been a client of the Moss Adams Consulting group recently, or worked in the firm, you probably haven't heard of a company called FA Insight (www.fainsight.com). But you may have heard of the principals: Moss Adams alums Eliza De Pardo, who had been a senior practice management consultant for the firm, and Dan Inveen, who served as the senior research manager with the Moss Adams business consulting group, and was instrumental in the annual benchmarking initiative.

No definitive word has come from Moss Adams regarding its consulting initiative, but FA Insight has taken over the relationship with former Moss Adams client advisory firms, offering marketing advice, strategic planning, organizational design and compensation planning. "We have the rights to continue working with the Moss Adams clients," De Pardo explains. "We continue to receive referrals from Moss Adams, both on research and consulting."

FA Insight also seems to have inherited a variety of close outsource relationships, giving the firm capabilities in mergers and acquisitions and other more specialized areas. "There are a variety of people we used to work with at Moss Adams," says De Pardo, "who will become our external consulting and research partners, and we will be working with them collaboratively as needed in our engagements."

The new firm may also become the heir to the compensation, staffing and profitability studies that Moss Adams pioneered--or, if that doesn't pan out (an announcement has been awaited for months), FA Insight will almost certainly create its own research initiatives. "When we were at Moss Adams, having the consulting and research activities working together under one roof allowed the two to feed off each other, and broaden the depth of the offer," says Inveen. "We want to continue that synergy with FA Insight."

The new firm also has the blessing of Mark Tibergien, who founded the consulting firm and brought it to Moss Adams, and who, in his role as CEO of Pershing Advisor Solutions, is working with FA Insight on consulting and research projects. "I am very excited about what they're doing because they're going to be able to carry on the legacy of Moss Adams research and consulting, and because they were two outstanding associates of mine at Moss Adams," he says. "Eliza was a key part of what I thought was the best practice management offering for any financial services company that I have ever seen, coming out of MLC in Australia. Dan brings a broad base of research experience that really helped to enhance what we were delivering at Moss Adams for the industry. The fact that they are going to continue that legacy and build upon it is exciting for the industry and important for us. They are one of our value alliance partners, and I have a high degree of confidence in introducing clients to them to help them with different practice management issues."

As longtime observers of the planning profession, Inveen and De Pardo are quite interested in how advisors are responding to the current environment. "If there is ever a year that I would want to do a survey, it is right now," says Inveen. "My guess is that your typical advisor is experiencing a revenue drop from 20-40% right now, and margins have taken a lesser hit. Typically in the past," he adds, "a good performing advisor is going to be generating 20-25% profit margins, and that may likely have moved below 15%. That may be better than some other industries, but relative to past years, these are very challenging times for advisors."

What about compensation trends? "As you know, in years past we made quite a big deal about the scarcity of talent and increasing levels of compensation," Inveen says. "I suspect that has subsided some. There seems to be a lot of talent in motion. We are hearing about defecting wirehouse advisors who are at least exploring the waters of independence. My thought is that most of them will probably land in the independent broker-dealer world before ultimately transitioning to an RIA model."

Of course, I asked what advice they offer to advisory firms today as they manage their firms through the mayhem of the market downturn. De Pardo says that this is a time of enormous opportunity. "Many clients who are not happy with their advisors and are looking for better solutions, which creates huge opportunities for businesses that are well-placed now to take advantage of them," she says. In addition, a lot of people who didn't think they needed advice a year or two ago are being pushed off the fence by the meltdown.

For De Pardo, the first step to taking advantage of this opportunity is also the first step to getting your business back into the black: defining and focusing on the ideal client. "Many businesses have been working with multiple types of clients; they haven't had a specific target market," she says. "And they have been delivering multiple types of advice."

What's wrong with that? "In a strong market, when revenues are good, you can afford to spread yourself thin, even though it is not ideal," she says. "But now that there is so much pressure on revenues, and assets under management, people need to be much more focused and delivering only in those areas that are going to be profitable for the business. If you believe you want to be working with small business owners," she adds by way of explanation, "and you have 30 staff people, if that is your target market, it is really about pursuing that strategy wholeheartedly, and having all of your team members aligned to that one strategy--as opposed to having pieces of your business focused on other areas, which may not be as profitable."

De Pardo is concerned that not all advisory firms understand the economics of their offering, which areas generate greater revenue and profits. "A lot of businesses don't understand the cost of delivering advice to clients," she says. "We work with businesses to figure out what it costs them per client relationship and how many hours are invested in that relationship on an annual basis. Once you understand the cost of what you are delivering, you can, of course, change your pricing structure or adjust your service level to make sure you are adequately compensated for what you are delivering."

Does that mean giving up clients? Not necessarily. "In stronger markets, better-paying clients can compensate for those low revenue-generating clients," says De Pardo. "But in times like these, it begs the question of how long you can really sustain that. You have a couple of options; the option to change your pricing structure for those lower-revenue clients, or find a different solution for them. The different solution might mean referring them elsewhere, or delivering a different level of service than you have delivered in the past."

Once you know who you want to target, and have your ideal client pretty well defined, marketing becomes less of a chore. But here again, De Pardo expects some adjustment. "Unfortunately, many businesses, during the good times, let their marketing muscle completely atrophy," she says, "and they are not accustomed to having to go out and generate brand new client relationships. I think over the next 12 months to two years, businesses are going to have to relearn how to generate new relationships in order to continue to grow."

Step one is to talk to existing clients about the clients you want to work with. "There is no point leaving it open to interpretation," she says, "because that is only going to create more hard work for you down the track, when you are working with clients who are not ideal." What do you do if you get referrals that are not appropriate? De Pardo envisions a future where all advisory firms are feeding each other in a referral ecology; you know who in your area would be a better fit for that non-ideal client."

Growth vs. shrinkage

Inveen believes that the planning profession is unconsciously segmenting itself into two camps: those firms that aim to shrink to survive, and those that intend to thrive on the current opportunity. For the former, there is danger of cutting back on future capacity by losing scarce talent. "I would hope that you would somehow find a way to keep hold of your best people," he says, "because this market WILL turn around at some point, and those who do have the capacity will be best positioned to benefit."

For those in the second camp, there is precedent for their hope to grow in the mayhem. Inveen points to a study that he worked on for Pershing when he was at Moss Adams; in 2007 he and others looked at all the firms that had given data since 2003, when advisory firms were reeling from the Tech Wreck downturn. They isolated the fastest-growing firms, and discovered that they had one

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thing in common: they maintained excess capacity while everyone else was cutting back. "They were ready to pounce when the market turned around," says Inveen. "They were lining their people up during the downturn, and were ready to go."

Isn't this a bit of a gamble? Yes. But you want to throw some chips on the table when the opportunities are greatest. "I don't know when this is going to end," Inveen admits, "but at some point we're going to look back on 2008-2009 and think, gosh, what a time of opportunity. If I only would have done this or that. The mindset of the second camp is that they won't experience that regret because they're preparing to seize that opportunity."

In other words, it pays to be a contrarian in the practice management world as well as in the realm of investments.

Is there a way to tilt the odds in your favor? De Pardo thinks that firms with growth expectations should pay special attention to their organizational blocking and tackling. "During the good times, a lot of companies went about hiring people without putting a lot of thought into how they are going to fit into the rest of the group or how the business is really structured," she says. "Because of the strain on revenue at the moment, we are having a lot of principals contact us, asking, how can I align my team better with the growth of the business? Do I have the right people to begin with? Do I have the right roles? Can we be doing things more efficiently? We do an awful lot of work in organizational design, which is everything from what the new structure needs to look like to the responsibilities, the career paths, reporting lines and everything else that is required to get that structure up and running. There are a number of strategic questions they have to ask themselves."

As the bear market continues, Inveen expects there to be an uptick in merger and acquisition activity, probably sometime in the second half of this year. "I think you have folks out there who are getting on in years and want to sell their practice or transition out of their practice," he says, "and if they are not able to do that, you might just find them quietly closing the doors and winding things down. I just see an attrition of folks who have lost the gumption in this day and age to reinvest in their practice, looking for growth in the future."

De Pardo thinks that one key to growth by acquisition is to be open and flexible as you enter into the negotiations; there may be outright purchases of advisors who are tired of all the angst and mayhem, while younger or more vigorous advisors may be looking to end to the hassles of being a business owner. For the latter, the structure may look more like "buy my clients and give me a job."

"Potentially, I think there are going to be many different opportunities," she says. "Deals will take all different shapes and forms from what we have seen in the past, and there is going to be some more urgency around some of the deals than we have seen in the past."

Since De Pardo talked about advisory firms defining their ideal client, I asked her about hers, and the conversation took an interesting turn. She looks for businesses that recognize and appreciate the value of advice (sound familiar so far?), have a mindset of change, are progressive in their thinking, and have the resources to support any changes they may be making. "They typically have more than $1 million in revenues, because at that level, most businesses have to make some very big decisions in order to grow to the next level."

Most of that, I think I expected. But De Pardo goes on to say that many of the first that meet this criteria have been successful in the past, and now have younger owners in the shareholder group, who are more motivated than the older folks to drive business growth, and are more able to embrace potentially radical change. "They typically have their own ideas around how they see things moving forward," she says. "They come up with new ideas and perspectives, and they are eager to see a growing return on their investment."

For the new consulting firm born out of the Moss Adams Consulting Group, there is an obvious contradiction. Firms can benefit from FA Insight's services more today than during calm, sunny market (less exciting?) environments, but many planning practices are also watching their budgets and are less likely to spend additional money unless they can see a clear return on their investment. De Pardo recognizes contradiction, but says that growth in this environment requires advisory firms to execute the twists and turns more efficiently than others. "There is no easy way," she says. "It comes down to a lot of thoughtful planning about how they want their business to look as they get bigger, or as they grow over the coming years. It won't happen by chance." ■

Parting Thoughts

CASTING NO STONES

I've been having the same discussion lately with a variety of advisors, and sometimes the conversation gets heated. So I'd like to lay out my position here for all to see, and maybe this will start a useful dialogue.

The discussion usually starts when I am approached by an advisor who jumped out of the market sometime before November, and in some cases before September of last year--and when I mean "jumped," I mean took client equity positions down to 20% or less. These advisors are still sitting on losses, but they aren't nearly as significant as what most of us are looking at in our retirement portfolios. And now, when I ask them how they're doing, they immediately, sometimes eagerly, tell me that they paid attention to the economic signals and avoided most of the wreckage, and how (they ask me) can other advisors call themselves financial planners when they were too ignorant to see this train wreck coming?

This always starts the argument. On my side, I point out that a few others missed these obvious signals too--people like Hank Paulsen and Ben Bernanke and Warren Buffett and, oh, maybe a few hundred million others, and on their side they say that most financial planners are brainwashed zombies who would buy and hold even if we declared nuclear war on China, and that advisors, if they are REAL advisors, need to pay more attention to the economy and valuations and everything else so they can protect their clients.

Inevitably, I agree that, yes, more investment sophistication is needed. But I also ask them when the upturn will begin, and I have yet to get a consistent answer.

My sense is that there is some truth to what these people are saying. The financial planning community has been gliding on a kind of investment auto-pilot for way too long, and that planners of the future will either delegate their investment management activities, either through actively-managed mutual funds that have a broad mandate to shift their allocations if they think valuations are out of whack, or to some of these financial advisors who live and breathe market and economic statistics and who incorporate valuation measures into modern portfolio theory. (Is the market safer with a PE of 8 than it is when PEs are running into the 30s? If you answer 'yes,' then you should probably be paying attention to these valuations and structuring client portfolios accordingly--though, frankly, I still have no idea what the precise recommendations should be.)

I also, however, think that this is not exactly a perfect time to be switching investment philosophies. Even if you *are* a convert to what these sage or lucky advisors are now preaching, does that mean you should switch allocations to something more conservative now, when valuations are low?

I think there are four kinds of investors roaming the streets these days. First, there are the investors who were lucky enough to work with an advisor who sidestepped this mess, and we will see if their advisors are skillful enough to get them back into the market when it gets bullish--and that probably means navigating around who knows how many sucker rallies before we hit the real thing. Second, there are the clients of advisors who maintained their investment allocations and rode the roller coaster all the way down, but who are going to stick it out and give their clients the benefit of riding it back up--and I have yet to talk to anybody who thinks the market will stay down forever, so we seem to agree that there WILL be a recovery that will eventually make everyone whole.

In third place in this race are the consumers who panicked last September or October and fled the market, and who are probably boasting to their friends that stocks are just too risky. They'll watch a sucker's rally go by and enjoy the subsequent downturn, feeling safe in their cash position. They'll watch another one, and then they'll smugly watch the bull roar upward until, somewhere near its peak, there is so much frenzy and excitement, and so much regret at how much upside they have already missed, that they'll put their money in near the top and end up far worse off than they were before.

Finally, there are the clients of advisors who will lose their nerve; who gave their clients the full brunt of the downside in a buy-and-hold posture, and then

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will decided to give up and take an ultra-conservative position. They will lock in losses, and be caught by surprise by the sudden, unexpected bull run, either mistaking it for another sucker's rally or simply not having cash in the market in time to catch most of the updraft. The clients of those advisors will have suffered most of all.

Like it or not, even if you now believe there are ways to evaluate the future returns of this or that asset class, even if you think you learned something from this bear market and that there is something to what these sophisticated advisors are saying about sidestepping the worst of the bear, you're really trapped into offering your clients the second best of four alternatives--and, if those advisors casting stones fail to recognize the next bull, you may actually wind up with the best of the four.

I may be wrong, but I believe that the only sensible time to make dramatic changes in your investment philosophy is toward the end of a bull market, when high valuations are making you uncomfortable and your reading of the economic tea leaves leads to disturbing conclusions. I think when that day comes, many of the advisors that are being castigated and dismissed by their peers will actually have a better solution than they did this time around. Moreover, I agree with the successful sidesteppers that it will become accepted wisdom throughout the profession that correlation coefficients, mean variance calculations AND valuations need to be taken into consideration when assessing the opportunity set offered by the markets.

That day isn't here yet. I readily congratulate the advisors who managed to sidestep the worst bear market since the 1930s, and I am happy for their clients. But I'm not ready to throw the other advisors under the bus for sticking to their principles when the alternatives look like they do today. In my own portfolio, I have no idea when the next bull market will come, but I intend to ride it up from the very first moment it appears, and I know only one way to do that: grit my teeth, maybe wish I had been smarter, and hold on to the handlebars of the roller coaster to wherever it takes me next. ■