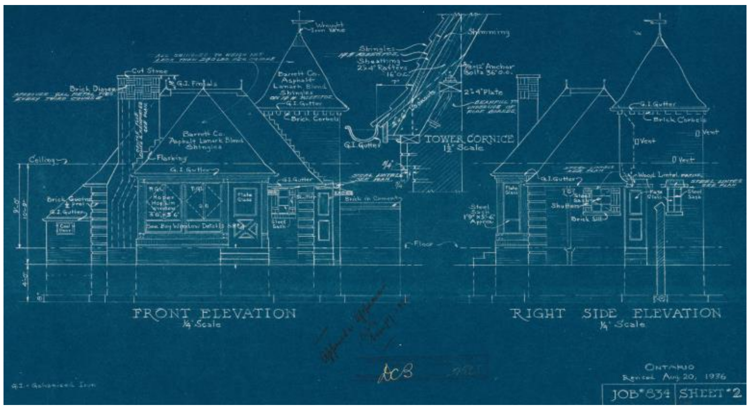

ADVISOR TRANSITION BLUEPRINT

The Top Ten Benefits Next Generation Advisors Demand When Going Independent

ABSTRACT

The founder and his team at Redhawk Wealth Advisors draw on their collective 35 years of experience creating businesses and the company's 12 years in this industry to help advisors of all backgrounds navigate the road to independence.

Created by the A ("Action") Team

Redhawk Wealth Advisors, Inc.

Introduction

There are so many varieties and purveyors of financial services in the U.S. that prospective clients ought to be confused, yet they are not. They are seeking fee-based financial advisors, and those advisors do not need the large household names behind them any more to compete.

As the remainder of the baby boomer generation retires over the next 10 to 20 years, and then living longer than prior generations, it is crucial that investment decisions they make are correct, or their biggest fear of running out of money could become reality. These people are the CEO's of their family estates and CEO's do one thing: decide. CEOs of large businesses have many advisors around them to make sure their decisions are the best money can buy. Advisors are well-paid to help CEOs of family estates make good decisions and avoid bad ones. The value proposition is pretty much that simple.

There are two words that will dictate the retiring baby boomer's spending habits: Health and Experience. The healthier they are, the longer they will live and the more they will want to experience. More and more people we survey want to experience life by being more active, taking trips, and posting those 'experiences' on social media. In other words, they are becoming much less materialistic and more experiential as they realize: 1) their kids don't want their stuff, 2) more and more of their friends are getting out doing fun things, and 3) amazing technology and innovation allows almost anyone to practice the life of the rich and famous without having to suffer timeshare nightmares.

The other side of the coin is a severe and prolonged degradation in health or terrible financial decisions late in life with no hope of working long enough to get it all back. In every single workshop our founder and CEO, Dan Hunt presented, he would ask the audience, "by a show of hands who thinks they will end up in a nursing home?" Of course, no one would raise their hands. The truth is, more than 50% will end up in some sort of long-term care situation. Mr. Hunt's father is in that situation right now almost all his boomer friends are seeing the exact same thing. No wonder we want to use our remaining healthy and active years doing lots of things.

As an experienced financial service professional, you know this already. Some of you may be getting close to the end of the rainbow yourselves. The average advisor in our industry is now over 50 years old; the big producers are over 60. The succession planning most prevalent today reminds us of a black hole, the larger RIA firms are or will be gobbled up into gargantuan aggregators, contractually obligated never to leave. The good news is many advisors we have spoken with plan to work until they literally cannot function any longer. This means most of their clients and their clients' successors will have a consistent human element to take care of them. And the better news might be millennials (you know, our kids, the ones we gave trophies to just for being there) love money way more than stuff and many we have spoken with would love to learn more about it and help others with theirs. Financial salvation might be possible!

For the huge producers getting sucked into the aggregation vortex, if the advisor has in their value proposition the 'human element', who is to say their clients will stay? In our view therein lies the greatest problem and opportunity we face: convincing clients why they should keep paying us fees when they could just go direct to the very same custodians we use, buy the same funds we use, and get trades (and maybe someday, advice) for free. Many of the custodians we use have in place technology that could make us all obsolete in a heartbeat if those same experiential clients who copy each other get on a DIY kick. Oh, but do not panic just yet. There's this one element in our world that we still haven't figured out how to predict: the human element. Until that happens, our prediction is humans will demand that other humans help them often. For the ones in the 'not' category, stop chasing them. We can show you how to attract the perfect fit clients.

By the way, we named this document, "Advisor Transition Blueprint" for a reason. This document and other content found in our domain is directed to what our industry generically refers to as an "advisor". Some people prefer other terminology like consultants, planners or coaches but to keep it simple we are focused on financial service professionals providing investment and financial advice, therefore, an "advisor" or "adviser" to clients.

Today's advisor is in some state of mind, possibly very comfortable and set in their ways, or perhaps unsettled and needing a transition of some sort. The term blueprint refers to a technical drawing of a plan. The blueprint was originally developed to allow multiple copies of precise detail to be accessed by many sources involved in the construction of a building or machine. Since there can be disastrous consequences if not done to near perfection, the blueprint is a critical part of the process.

From these concepts we derived the term, "Advisor Transition Blueprint". We believe that an advisor moving to the independent arena is building something extremely important for our society. Its design and operation can be like a beautiful building that lasts for centuries or a straw hut that will disintegrate in the first storm. We hope this blueprint can help you stormproof your new business.

This Advisor Transition Blueprint works best for industry professionals that have decided to either form or transition to an independent business structure. An example might be Josephine Jones, currently a broker with National Premier Brokerage making a transition to J. Jones Wealth Services, LLC. To add one more level of detail, this new wealth services entity can be any one of any number of formats:

1. A state-registered Registered Investment Advisor ("RIA")
2. An SEC-registered RIA
3. An Investment Advisor Representative ("IAR") registered through a separate RIA

Attached to these formats can also be hybrids in the form of independent broker-dealer licenses and/or life and health licenses. We use the term 'hybrid' to separate products and services controlled by the suitability standard versus the fiduciary standard that RIAs must follow. We will not go much deeper into these distinctions since most professionals consuming this information know the difference and already have a good idea of what they like to offer to clients. Business formats and service offerings much different from what we listed above can also be helped by this blueprint. Parts of this blueprint can apply to virtually any business.

Business Philosophy

It may go without saying, but as you develop your formal business plan, copy parts of this blueprint for your own use. Develop your own mission, vision, philosophy and so on in order to match what you believe with others like you. You may repel some people. That's OK. It is better to figure out where and who you fit best with now, before you get way too deep in relationships that will detract from growth and happiness. Our philosophy is summarized below:

Transparency leads to *truth* and *truth* leads to *trust*. We believe the next generation client will test for this line of thinking before making the decision to move their business from one advisor to another. Redhawk is the next generation investment advisor platform positioned to attract, keep and delight the next generation advisor.

Having no fear or anxiety in being transparent about what you are doing, how much you are paid, and why it's best for the client are the first and most important traits of the next generation advisor. In our opinion, the investment advisor representative (IAR) is the only financial services professional that serves in a fiduciary capacity, a key part of the formula that will win next generation clients. This is not to say everyone else is doing it wrong or that being a fiduciary is the golden goose that will cause thousands of people to come running to you. It is to say that non-fiduciary advisors, brokers and agents will continue to survive, and even thrive, but fewer and fewer advisors stuck in the old paradigm will see much success when the next generation takes hold.

Based on our 12+ years of experience in financial services, we are confident that some advisors need to be IARs, others need to be Registered Investment Advisors ("RIAs"), and still others are best suited as hybrids or even classic brokers and agents. Put simply, you need to be the person that allows you to sleep comfortably at night. Sometimes that person is not compatible with what we believe and that is OK. Focus on figuring it out now before you go too deep in a direction that you will never be comfortable with. For example, we had numerous insurance agents call during the DOL Fiduciary Rule era, wanting to get the Series 65 so they could survive the onslaught. We talked most of them into staying put instead.

Our founder even admits he was like some of those agents at one point over 20 years ago. For example, he did not dream of having his own restaurants, yet he found himself deep into being a franchisee with some restaurants he had no desire to operate. How do you think that ended up? Through his experience you can save a lot of money, time and energy just avoiding the mistakes he made. How much is that worth to you? This is one of many reasons Mr. Hunt claims to be an (experiential) expert in entrepreneurship and the inside sales guy at "Big Brokers R Us" trying to write you a check to join their mega financial platform is not.

As fiduciaries ourselves we tell advisors coming to us what model we believe fits them best, even if that model excludes us. We do the exact same thing for clients who come to us looking for advisors, and so should you. A *fiduciary* understands this and is willing to position certain clients that are not a fit with professionals that are. The **next generation advisor** (our extended definition of fiduciary) understands the magnetic principle: in order to have great attraction, one must understand this will come at the price of repelling those folks who are not a great mutual fit.

For example, we re-positioned a large client a few years ago. She accepted a proposal by one of our IARs. She moved all her stocks and money over in kind but there was a delay in her acceptance of the managed solution implementation that she agreed to; a red flag. She began calling us directly to buy and sell individual stock positions. We surmised she wanted the classic broker model where she could call and place trades anytime she wanted. She was happy paying a commission for trades; that was in her comfort zone. She was happy having a broker to call to discuss the latest hot stock. That's not us. We moved her to a broker.

Here is another assertion: the RIA that has chosen to serve IARs that then serve their clients should also be a **next generation platform** to those IARs. As you dive deeper into the Investment Advisor (IA) model, it is critical that you get a real sense of what the RIA's motivations are before you sign up. You need and deserve to know what the RIA's exit and growth strategies are. If you do not know these in detail, you have a giant hole in your plan and thus an opportunity to improve.

Consumers of the information contained herein need to understand that Redhawk is not for sale. In fact, it was built not to be sold or merged or modified into anything other than its original design. That may not be the direction you want your RIA partner to be going in, but we state it up front just like any RIA you are thinking about partnering with should.

Why are we not for sale? In part because of our founder's own experience. In the early 90's he merged his software company into an amazing network technology company. The company emerged out of Exxon in partnership with Mastercard and Sprint. He bought into the company's plan to go public. The founders waited too long, the dot com crash hit, and the board with all the voting shares sold the company right out from under Mr. Hunt and many other employees. Redhawk was created to be the antidote to this selfish and short-sighted conduct. In our own blueprint Mr. Hunt declared, "we will build a company, not of our own names, but of an ever-lasting ideal, powered by the employees and advisors we serve."

Enough about us. This blueprint is for you. As you think about your future, what are you solving by going independent? Why are you doing this? Do you want more money? Is it because everyone around you is making a move? What is really driving you and are you sure you will be satisfied when you hit the re-set button? Does your family know what you are thinking about? We could ask a hundred more questions on this alone but sleep on this for many nights and if you can sleep after you've made the decision, you are good to go!

Ever heard "begin with the end in mind" (hint: Covey)? If you do nothing else, write down in as much detail as you can what the other end of the rainbow looks like. In fact, it's the first thing you should do. Many people do it last if ever and most of those people either never come close to their full potential, they are never happy, or sometimes they fail later in life with no backstop. You don't want to be in fail mode when you are 65. Age discrimination is the dirtiest (non) secret out there.

To compare your practice to business alternatives out there today, when you transition to independence, you are becoming one of two entities: a franchisee (IAR) or a franchisor (RIA). Either is fine but be careful to understand the difference and what your exit ramps could look like. You are building a restaurant of sorts, a physical business that must survive and thrive so it can feed its clients advice that will protect their lifestyles. Just like the sole proprietor restaurant cannot survive too many food poisoning episodes, you will find it hard to survive too many 'bad advice' episodes. Advisors going independent that do not treat this like a full-time serious enterprise will someday become desperate or worse and could cause damage to clients, thus hurting the rest of us, something we strive to prevent by being brutally honest right up front. This blueprint is designed to provide the truth as we know it, even though it may repel some readers.

Benefits

This planning tool focuses on the top 10 benefits advisors we have worked with over the last dozen years are attempting to find or should be attempting to find in their quest to be truly independent. Some of these benefits gave credence to why we did the same thing. We then provide the top actions you should pursue to determine if these and/or other benefits you are seeking are within reach.

At the end of the exercise, you will know yourself better. You may find something like your own 'business personality'. You may begin to think differently, or you could reinforce that what you have already planned out makes the most sense. You may even seek advice from family, friends, and coaches, something Mr. Hunt wishes he would have done many times over the last 35 years! Now, he and his directors do not make any major strategic decisions without consulting many sources first.

Since we give you 5 actions at the end of each benefit, you will have up to 50 actions to deal with. Don't worry, these are not all needed at once. Some you may never figure out. The idea is to take the process slow and be thoughtful about each benefit you are seeking. Anyone who's been an entrepreneur knows about jumping first, then looking down in midair. This industry needs you desperately and will probably demand your services long after you have transitioned into full time retirement, so you have plenty of time to plan.

Thank you for checking this out and we look forward to any feedback, questions, concerns and other input you may have!

1. Exit Strategy

By 'exit strategy' we do not mean exiting your current firm. This is addressed in the "Control" benefit further down. What we are referring to is your ultimate endgame, years down the road. This is the first step that hardly any advisor we have ever worked with brought up as their first and most important decision to make before going independent. Yet, we list it first since it is by far your most important consideration, especially if you are partnering with other people. If you don't believe us, take a chapter or two out of Mr. Hunt's real-life experiences. An excerpt from one of his experiences follows:

> *In the year 2000 I remember having the pride and joy I and others breathed life into sold right out from under us, leaving me with stock options worth a fraction of what I had planned on 7 years before. I moved my entire family to Minnesota from the south. If that doesn't show commitment, I don't know what does! Moving to the polar vortex with no exit strategy was a bit of an oversight. After converting my stock options and cashing out, I quit the new company soon afterwards. No new job opportunities, no plan, my mind still in a state of shock and sorrow. I then sought salvation by teaming up with the departing CFO to build some restaurant franchise locations since he appeared to be financially brilliant and had already worked out the business plan. I read through the offering memorandum and franchise circular, together a stack of documents piled 10 inches high. My most vivid memory (and regret) is hearing the departing president (from the firm we just left) ask us about our exit plan. We said we didn't need one; we'd be building these stores forever. The exit was expensive, emotionally draining, friendship stressing and more. It was anything but successful.*

To put it plainly, exits are the easiest thing in the world to think about, a little complex to plan, and the most critical thing to get out of the way day one. If you have no idea how to begin, call Mr. Hunt. He can talk you through an approach.

<u>Action Steps</u>:

1. **List your top 3 exit ideas. Here is a real-life example of what not to do: an older gentleman sold his commercial real estate business to a group for a great deal of money. While they were busy moving in, he (the seller) would show up like clockwork, go into his (old) office and shut the door for 4 or 5 hours. Without saying a word, he would open the door, exit the office, get into his car and drive away. To our knowledge, they still haven't summoned the courage to tell him it's OK not to come in anymore!**
2. **List out all partners in the business. Get their exit ideas and compare them to yours. These must be understood by all the parties, day one.**
3. **Establish your charter related to how smaller partners can be forced to exit at any time. You do not want to be working for small silent partners forever if you can avoid it. Be careful about who gets voting shares and how much for each stakeholder.**
4. **List various buy/sell arrangements, key man insurance, life policies, and any other corporate protection mechanisms. Get advice from a real expert in this area – don't worry, you can still be the advisor that gets the sale if life insurance is useful.**
5. **Finally, and maybe the most important of all, talk to your family. Your spouse or partner or even your children will have questions or advice that is spot on. After all, they are stakeholders in your family estate corporation!**

2. Economic Impact

Whether you are starting from scratch (in the beginning we had no licenses, credentials, experience, nothing but an idea and a really good plan) or you are moving a book of business, the second thing you need to know is what financial impact this entire exercise will have on you and your family. Think about this: you have been helping others make good financial decisions by figuring out how much risk they are willing to take with a precise number of dollars. Have you done this for yourself as you plan for this big leap? You must!

Your next big step is perhaps to the left or right of the fork in the road, the left one being that beautiful million-dollar paycheck, the right one being a painful and scary jump off the cliff into independence. To help you think this through, here is a dirty little secret: follow the money. Learn where incentives line up for the big players and you will expose dog whistles.

Danny Sarch, in his Investment News article entitled, "Wealth Firms Waste Money on Buyouts", writes, "There are some practitioners who are uniquely talented and charismatic. That is why they are so successful... They are worth the most when they are recruited because they absolutely deliver their clients to their new firm. Their clients love working with them. Ironically, these practices will be the most harmed when the alpha dog practitioner retires because the successors are unlikely to be as talented and charismatic as the alpha dog who built the practice." He goes on to say, "We predict the money given to them by their existing firms upon retirement or by M&A buyers in the independent space will become an even worse investment than the failed recruiting deals bemoaned and belittled by the largest firms in the industry."

And finally, there's that little financial variable advisors ask us about all the time: payouts. Payouts make a big economic impact on your personal financial situation. Aside from allowing you to keep most of the money you earn (the difference can be as dramatic as moving from a 35% to a 95% payout!), removing the hassle of selling your business saves time and allows you to continue to focus on those things you do best. And you should be paid very well for the things you do best. Payouts can be the deciding factor in going independent versus taking the big paycheck. The math is easy. We can assist if you need it.

<u>Action Steps:</u>

If you were to sell or move or merge any widget-type business with physical products, the first thing you would have to do is an inventory and then place a fair market value on that inventory. Do this for the commission part of your practice. That is, you should know all the contracts in play right now, when they mature, and what the plan is to convert them to new contracts or to fee-based products, or to let them go.

For the part of your inventory that is fee-based, do the following:

1. **Write down all the things you do for clients and exactly what you charge for each service.**
2. **Segment your clients into three groups (A, B, C). This may sound harsh, but do you want all of them to make the trip with you? We recommend using the A, B, C to note the level of fit each client has. Perfect fits might be A's and stressful ones might be C's. Here is another important item: do not abandon people if possible. Find better fits for them. It is relatively easy to do and very rewarding, if not financially.**
3. **Get Redhawk's Book of Business Model and fill that out. This will get you to your new number with no growth, then you can build from there.**

4. **Make a list of tasks, products, and services you <u>should not</u> be doing anymore, if ever. These are things to either eliminate or outsource.**
5. **Make a list of the products and services you wish your firm could do. For example, when we added the Investment Advisor service to our insurance and planning agency, we brought on a professional portfolio manager and trader since we wanted those in place for our insurance clients for whom we were adding managed money services.**

3. Freedom

Danny Sarch, in the same article mentioned above, says, "for the wirehouses and other wealth management firms that are steadily shrinking, the only hope of survival is to keep assets and clients even if there are fewer and fewer advisers in-house to work with. Since they have largely given up on a recruiting, the four wirehouses have all increased the retirement buyouts to their existing advisers. With strong restrictions on both the seller and the buyer, these programs are designed to ensure that these practices will never leave their legacy firms."

In our world, the words, "never leave" make for great fiction. We will bet the concept of 'never leave' has never happened. Could you imagine a client or family that has been with one single advisor or firm throughout all its generations? Heck, the firms change as often as the clients do!

You should write out what your philosophy is, but for Redhawk, our past experiences dictate that our firm, our advisors, and our advisors' clients will not be chained down to anything other than the happiness, safety and security of the families we and they safeguard. If things are not working, change is permissible. If things are working, change is also permissible. As we like to put it, "you are only as good as your last movie". It may sound crazy but if you buy into the freedom aspect of independence like we do, develop a tagline as one of your first creations, something that suggests freedom. You might be surprised how many prospective clients are looking for it since their advisor was locked into something they had a tough time escaping themselves. Note our tagline, "Freedom to Soar".

And on that note, identity, branding, philosophy, and many more creative elements of a business are no longer via someone else's permission or design. You are now able to think, create and act freely on your own, perhaps for the first time in your career. The financial benefits to be gained are important. The freedom you will feel when you are finally on your own is almost surreal if not a bit scary at first. Don't worry, you will get used to it and will never look back!

This action plan involves some elements you would write up in detail in your own business plan (especially the underlined parts). If we were to make a list of tasks to check off, it would take several pages. <u>To keep it simple, ask RIA candidates what they do in terms of allowing you creative latitude and what they have created for you already</u>. <u>Then ask them to articulate the 'why' in terms of what the benefits to their advisors are. See if they can clearly state their 'differentiating value'.</u>

<u>Action Steps</u>:

1. **We have branding experts that can get your taglines and slogans together if you want. If you are creative, write some ideas down, probably at the same time you figure out your company name. You can bounce them off anyone, including us if you wish.**
2. **Your freedom to literally create anything you want needs to be tempered by two items: a. compliance, and b. no re-inventions wherever possible. Make a list of everything you want as it relates to your brand. We can show you our list of technology, branding, marketing, etc. items that we provide to our advisors. Wherever you go, try to replicate something else that is already good enough. You will waste precious time, money and energy if you try to create, change and/or perfect every little thing.**
3. **To office or not to office. This one catches advisors off guard. It should not. Today and over your entire career, do you see clients at their kitchen table or your office? Neither model is good or bad; just pick one and stick to it. It has a lot of bearing on branding and lots of other things.**
4. **Are you the client-facing advisor or not? Our founder knew that he could not focus long enough on all the client issues at hand so he teamed up with people who could.**
5. **It may sound sappy, but what is it you love to do? Write down everything you love to do, especially related to this business and industry. If you cannot think of much, take the million-dollar check and let someone else deal with those clients who need attention. Going back to Mr. Hunt's story on his brief restaurant career, he did not fare well because he did not love that business, his role in it, the lack of control he had and so much more.**

4. Control

Recall we talked about exits earlier? This is the part where you think about why, how and when to leave your current firm. Here might be your perspective: It is YOU who landed those clients. It is YOU who put in all the hard work and answered those calls during extremely stressful market conditions. It is YOU who deserves to control your destiny. From now on and forever, destiny is yours, clients are yours, succession, retirement, all those things you helped clients figure out, you now have the control to make it all happen for you and your family.

"Not so fast!" decries the firm you are leaving. It believes it is the firm that brought you those clients over the years. It is the firm that owns those clients just like the rancher and his cattle. Depending on when you showed up and what agreements you signed, the firm could have a point.

In Bruce Kelly's August 19, 2019 Investment News on Advice section, Mr. Kelly, mentions, "it's not just the wirehouses that are flexing their legal muscles when it comes to taking action against advisors who jump to a new firm. Smaller financial services firms, including registered investment advisers, are throwing elbows in the skirmish to control clients and the lucrative revenue streams that flow from client assets."

We venture to guess that firms acquiring practices will make it very difficult to leave unscathed while other that grow organically (like us) do not raise a ruckus if you depart in a professional manner. Our position is based on what we feel is critical to our survival, that clients need their advisors and separating a great advisor doing all the right things for a client could eventually lead to our industry's demise in favor of technology completely taking over the role.

The experience of leaving a big firm and having them take or attempt to take all your clients would be enough to cause anyone to: 1. Go independent for good and forever, 2. To throw in the towel and take that nice retirement package, or 3. Jump ship and start over. To do number 3, you'd have to convince us that your plan and funding could handle it. We of course are focused on the Number 1's. And this is our point: if you are taking control of your destiny, team up with partners, vendors, and other providers who are ideally suited to help you see that through. If you do not get this part right, you will not maintain control. It is that simple.

<u>Action Steps</u>:

1. **Make sure you have all your documentation in order, from agreements to employee handbooks, to the five datapoints (Name, Email, Phone, Address, Account Title) you are allowed to keep (assuming Broker Protocol rules), before telling the company you are leaving. To round this off, either get or team up with a firm that has what we call, a <u>"transition attorney".</u> They can be worth their weight in gold! We have one of the best in the country on our side if you need one.**

2. **Firms that you are considering should be examined to see what their growth plans have entailed. We believe that firms that are acquiring other smaller firms will be less likely to allow a smooth transition out in the future, and for good reason.**
3. **Define what you think control is. Write it down as a part of your plan. Too many cooks in the kitchen can spoil the meal. Are you the type of person that can control the shape and destiny of the business with others participating or could you see yourself micro-managing all the players every little step of the way? Learn from other successful businesspeople what their definition of control is. In fact, you should interview your three most successful friends in business (any business) as a start.**
4. **Do not spread yourself out too thin, chasing all kinds of new shiny objects in your quest to control or speed up the growth of your business. This is one of the biggest mistakes we see advisors make. In the early stages of the new business they get so excited about all the neat marketing tools out there that they suddenly 'control' so much, they have no real control at all. Stick to what you do best and leave the rest to those who do those other things best. We have learned to allow the business to drive more decisions than our myriad meetings with marketing firms and wholesalers. Over time, the business itself will reveal the answers if you just let it.**
5. **Speaking of allowing others to control aspects of your business, this little piece of advice is probably among the most important we can give you: get a coach. We have one. All great athletes, actors, and business leaders have many coaches. If you need some ideas, we certainly can share some with you. We cannot give you a generic answer here since we do not know your specific business and what makes you tick. Give us some input and we will give you some direction.**

5. Growth

If you are not retiring, and you are a full-time serious advisor, you want growth. For many wirehouse or otherwise captive advisors, the company provided the leads. Once independent, you need your independent partners to step up and help you do the same thing. Many advisors are swayed by large insurance wholesale companies to use their marketing systems in return for gaining their insurance contracts. Some of these advisors jump into that pond way too fast since the promises are big, many times bigger than what the actual experience will be. We highly recommend that advisors entering the fixed insurance space for the first time go very slow, do not sign your lives away, and make sure any marketing systems you look at capitalize on your strengths and target the types of clients you like to serve.

An advisor with a large payday may well look at the independent mindset as foolhardy but what if they did the (new) math and determined that the payday is but a fraction of what they could produce in the next 5 to 10 years? And if there's even the slightest chance they could grow their book over the next decade or less, the math just gets better and better. Growth, especially growth of best fit clients, simply makes everything better. And, 'everything' to us is only three things: time, money and energy.

Action Steps:

1. **List out all the marketing methods that got you where you are now. Don't worry if the only method was getting clients from the mother ship. Please write that down.**
2. **This is critical: buy into what we say here if you want to make a really big impact. If we were to tell you the most painful, most expensive and most antiquated marketing technique was by far more effective than anything else in attracting the very best clients, what would you guess the method is? And if we told you whoever spends the most wins the best clients, you'd think what? What if you knew there was a tsunami building out there in the form of young, old, credentialed, and non-credentialed advisors that are marketing machines preparing to take all the best million-dollar clients? Well, now you know. And the answer is: Seminars. And the new generation answer is there are many ways of reaching people now that did not exist even 10 years ago, so the hunting is better than ever.**
3. **This next action item is fun but not so easy. Write down where you want to be in 3 years, by AUM, number of clients, annuity premium, however you want to measure it. Now, subtract your current numbers from these future numbers and that is your planned growth. Is it 2x, 3x, 4x or more? If it is 1x or -x, growth is not the benefit you may be looking for and that is fine. Don't go chasing growth if it has no benefit to you.**
4. **If growth is the plan, next write down all the obstacles you can think of that are holding you back. Call and ask us sometime how Time Warner's revenues have steadily been declining and how Forbes's have grown more than ever over the same period. Advisors failing to define and overcome obstacles will wallow in mediocrity while others that focus on this action right here will soar past them.**
5. **Finally, the hardest part of all: define the client that fits you best, go back to your ABC list (made above), and start by determining the ideal additive client you would like and the type of prospective client you will repel. This**

one can be tricky, but we can give you many real-life examples to help you out if you like.

6. Capacity

Believe it or not, some inhibitors of growth exclude the need for more leads. We have spoken with advisors that have plenty of prospective clients wanting to work with them, but the advisors are slammed and cannot take on any more business. Can you imagine that?

Some advisors have gotten themselves into a client service process that is no longer scalable, repeatable, or even teachable so their rate of growth is locked in, if not diminishing. The solution we developed begins with teaming advisors together. What a concept! In a world where all our new clients come from other advisors, we turned the model upside down and teamed them up to help each other.

The rest of the formula relies on what firms you are considering are committing to in terms of what they will do for you, at what response time and at what volume. For example, we were shocked in learning not very many firms allow multiple diverse advisor shops to manage and trade portfolios themselves. Purely by accident, we learned that this was a significant value proposition to many advisors considering independence. Another thing to find out is if the RIA will do the trading for you or not.

Action Steps:

1. **Capacity can be solved through sound planning and investment. You may not even know your actual capacity until you jump into the proverbial fire. In this step, have your current book of business in a spreadsheet and assess the number of hours per year (column to the right of each client) you spend on each client, each operational task, marketing and compliance and make sure and total the hours at the bottom of the sheet. Then be brutally honest and estimate the number of hours per year you work or will plan to work. Also, please assume you are not alone in your independence. You need an assistant as close to day one as you can possibly afford for many reasons.**
2. **Some advisors are attempting to resolve their capacity issues by partnering with other advisors. This can be difficult but not impossible. Like with other action steps throughout this blueprint, assess and re-assess this decision by talking with lots of people. We recall partnering with people way too fast, again with no clear escape plan, and the equivalent of**

business divorces were often the result. Avoid these giant steps backwards if possible.

3. **If you decide that the partnering approach is best, team up with the right resources to help you find a partner. You could also research advisor recruiters that charge a finder's fee up front based on the advisor's previous 12 months' revenues. Or, you could try your search on social media for free to start the process. We can show you how to design your messaging if you need help.**
4. **If partnering is not in the cards, what other mechanisms might there be to increase capacity? Here are just a few:**
    a. **Cease doing tasks you should not be doing.**
    b. **If mega hours are spent on certain clients, either hire a para-planner to help or stop spending hours listening to clients' personal issues all the time (in the early days, we also fell into this trap; it's a complete waste of your valuable time).**
    c. **Re-assess the action step that talks about where you conduct business. If you are slammed and you do house calls, move into an office and have more clients come to see you.**
5. **Finally, look at your inventory of products and services. We do not mean to demean IBD's, but do you really, really, really need to drag that Series 7 around with you? Most advisors moving into the fee-based arena do not need to bring that revenue and headache with them. Do this: Read or re-read Jim Collins' book, Good to Great. Go to the part where Walgreen gets rid of Wag's, a profitable restaurant chain. This will teach you a lot about how to focus on the one or two things you do the best.**

7. Continuity

Clients may have custom or unique solutions in place that advisors do not want to change for fear of losing AUM during the move. Unless there is a cohesive and logical transition plan with plentiful communications, up to half of your clients will be concerned or at best, confused. The other half will go with the flow like they always have.

Products, reports, people, processes and even prices need to have some reasonable level of consistency or some clients may not be up for the move. They stuck around due to the largess of the firm and have little or no ties to you or anyone else. At the large banks and wire houses, clients may have outstanding loans tied to investments. Others may have fancy alternative products, proprietary products that cannot be moved, and all sorts of things tying them to company the advisor is trying to leave.

Do not assume the following: 1) independent BDs and RIAs cannot replicate what your clients have, 2) the clients in question won't change to something comparable if it is explained well, and 3) there are not solutions better than what are currently in place.

<u>Action Steps</u>:

1. **Start with products, prices and processes to determine by client which solutions cannot change in a transition. In other words, they will not come with you if they cannot continue their exact same programs and solutions. Make a subset of ones that can be modified if they feel they are getting the same benefits.**
2. **Make a list of clients you can afford to lose as a result of moving.**
3. **Cut your entire book in half to see if you can make 50% work in your new environment. Put this in the business plan (discussed next). You will keep much more of course, but do this 'worst case' analysis and your confidence will be solid going in.**
4. **Learn from companies like us what products and solutions are available that you might have never seen, or you dismissed them as inferior.**
5. **If you hear of solutions from various providers that are too-good-to-be-true or opaque and you need to bounce them off us, please do so. If we know about them, we will tell you. If we do not know about them, we will find someone who does. Especially for wirehouse brokers, be very diligent when it comes to all these new products you will be pitched that seem to perform amazing miracles. Remember, when you are faced with miraculous financial products that seem to tower high above everything else, leverage or illiquidity or both could be prevalent or hidden in the formula.**

8. Business Plan

We covered the exit strategy earlier but do not forget to write this out in your business plan. Here, we mention some tactical items that seem to stress advisors out the most like finding the right office to hiring an assistant to prioritizing expenses. In any case, you should seek a planning and support system that takes care of almost everything an entrepreneur (what you are now becoming) needs to figure out in the early stages of their new business adventure. Here is what many advisors neglect to think through when they are planning for this huge move: this business is exactly like buying a franchise, complete with how and when the exit strategy kicks in. Mr. Hunt spent millions of his own dollar bills learning the good, bad and ugly of starting and running businesses, the exit strategy being something he harps on. Couple this with our company's hands-on experience helping hundreds of advisors over the last 12 years, and you might call us specialists, if not loyalists in this area.

One of the action steps (below) is to call three or more franchise opportunities in your area and find out what it costs to buy in, to qualify, to maintain, to profit and other business fundamentals. To give you an idea, let's look at one of the most successful franchise models on earth, McDonalds. Using some antiquated (2012) data, assume a McDonalds location is doing $2.7 million in net sales per year. Food and Paper costs will leave a gross profit of about $1.8 million. Labor and other controllable/variable costs will take the profit down to about $750,000. Non-controllable expenses will leave a net operating income of about $150,000. You must be a millionaire to start, you must receive training, and your up-front build-out and franchise costs may be a million or more. Almost $3 million in sales to take home $150,000. Sound like a winner to you?

The typical advisor practice is about as good as it gets on the take-home part, yet many advisors refuse to spend the right amount to get going. Advisors that refuse to treat their business like a real franchise will reach minimum potential while others, having experienced real business successes and failures, will spend more on their business, and more to get new clients, soaring past the competition.

Action Steps:

1. **Investigate three franchises and know their startup and operations numbers. Get their circulars and/or offering memorandums, term sheets, anything with the numbers in there. There are plenty of books that will make the process even less arduous.**
2. **Compare their profit margins to your post-transition margins. Find out what franchisors take off the top line, what the advertising council charges, and what sorts of guarantees the franchisee must sign up for.**
3. **Take just those two pieces and again compare them to what you are doing, raise both hands in the air and yell, "I am in the best business ever created!" Then, get out the pro forma part of your business plan and re-think the marketing expenses. Try to beef those up to see how much you can spend over the first few years without going broke in the process. Remember, the difference between a mountain and a molehill is *marketing*.**

4. **If you need a pro forma and business plan outline and template let us know. You can go online and find these as well. The important part is to not think and act beyond this action step for too long.**
5. **On every strategic business decision, especially ones that require a significant investment, ask one thing: "so what?" If you follow this discipline you will waste a lot less money time and energy. Everything you design into your business ought to have a big impact or don't do it. For example, we see advisors designing amazing offices for their new franchises because they know their large best fit clients they want to keep will feel very comfortable; they will feel that continuity we talked about. That is a huge so what. Others place no emphasis on the office part but have big so what's in other areas. We always write the plan out and at the end articulate the big so what. If we struggle to find it, we table it or kill it.**

9. Essence Match

Of all the benefits talked about in this blueprint, this is one of the most valuable. If you create your own brand of this concept you will avoid financial and emotional strife, if not outright failure. This will apply to any human or entity you interface with going forward.

Here is our version of it (you can copy it or make your own): the person or company must demonstrate all 3 traits, or we will not work with them. These 3 things are:

1. Likeable
2. Coachable
3. Ethical

Does this sound silly or harsh at first? It did to us. After using it for a few years, we changed our tune. We felt what it was like to part ways with partners, vendors, and clients who did not fit, while working and producing and building with others that are still with us to this very day.

By the way, 1. and 3. are easy to find in most people. It's that middle one you might even struggle with yourself. Old dogs do have a very tough time learning new tricks. You know what, it's OK! If an advisor doesn't want to get on board with new ways, strategies, marketing or whatever, he or she is not evil, they are on a path to something that might not fit where you are headed. So, don't team up. Finding and laying out the truth about where both parties are headed will help both parties a lot more than the old 'square peg, round hole' theory.

Ever-lasting mutual respect is an absolute necessity if human beings want to keep their sanity. This includes aligning incentives, treating people with courtesy and apathy, and more. Even if you are very well established, and you go independent, a lot of extra care and attention is required to insure you align with the right people. Be on the watch for relationships that start very exciting and positive, then you sign up, the honeymoon comes and goes, then you are invited to all kinds of fun events, you are touted as a big and important part of the group, then business sort of moves back to the daily grind, then support starts to wane and you are no longer a new and exciting part of their plan. The business leaders seem to be motivated only by the next new advisor or merger. No one is coachable. No one listens or cares anymore. This can be avoided by going back to "that thing we agreed on day one".

Action Steps:

1. **Create (write out) your version of "essence match". You can copy ours or make your own.**
2. **Know what it means to you, partners, family, etc. so that anyone close to you can articulate it like you can. It becomes part of your 'credo' and if others can know it and say it, then new people interfacing with you will believe it even more.**
3. **Figure out how to administer the test. We simply tell people right up front, "you know, before working with anyone, we have this thing called the essence match test…". Most people get it, like it, copy it, and adhere to it.**
4. **Understand what you will do, and what the exit will be if someone is not all 3 of these traits. Are you prepared to part ways with a huge opportunity if after 6 months they start to show signs of being a misfit?**
5. **Be willing to convert some people. Do this exercise: 1) ask yourself how many books you have read over the past year, 2) how many business, or speech, or financial coaches have you hired over the last 5 years, and 3) who have you been coaching or mentoring yourself over the last decade? Might you need to be converted? Truth be told, over the last few years, our company has invested a lot more than our peers on being coached by the very best. Our firm is on a whole different trajectory as a result.**

10. The Process

You have heard it many times over, "it's the process". This is our industry's clever way of telling the public that we are magical do-gooder fiduciaries, and we do not just sell products and plans to get paid commissions and fees. Today, every firm out there has a process for helping clients manage risk. Ask any of us and we will say, "We are tactical, so we are able to avoid the downside, capture the upside and maintain a reasonable level of liquidity.

The hard, cold truth is you don't have anything unique or superior to anyone else except for the one thing you have had since birth: YOU! However, you can enhance the way your "packaged uniqueness" (you + your gismo/process) is presented and received by people.

For example, we took our process and packaged it up into what we call, "FiduciaryShield®". We had legal experts review and opine on it, we had advertising experts brand it, we made plaques (for advisors who have been trained on it), and we have scripted it so that any client, large or small, can understand it. That's it. It is something you can and should do as well.

Action Steps:

1. **Be on the lookout for a book written by our president, Rick Keast. It is called, Freedom to Soar. It demonstrates what we have done to take our process to higher levels. It is currently in the final editing stage and should be out by Q1 2020.**
2. **You may have a great process that everyone loves, especially you. Do more about it. Take it to higher levels yourself. It could be that new prospective clients you are talking with have seen it all before, many times over. You must figure out how to contrast yours from the myriad other processes out there.**
3. **Do not be afraid to focus on the truth even if the truth is you cannot help the family sitting in front of you. As the highly over-used and misunderstood term, *fiduciary* suggests, we are supposed to put those other people's interests ahead of ours. That means we are compelled to avoid resolution to every single issue we are presented with. For this action step write out what the best fit client looks like, perhaps a range of them in terms of size and issues to be resolved. Find some places near you to refer opportunities that are not best fits and be prepared to let certain people know you have a better place for them to go.**
4. **The big three custodians have won the race to zero. Do not panic. This is good for you and clients if you treat it a certain way. We can show you how to be process-focused versus it's all about returns and fees. For this action, assess your closing ratio. Be very accurate about the number of new opportunities over this past year, how many were best fits, how many you closed, how many you did not but should have, and so on. Next,**

review what you say to people. Is it all about fees and returns? If so, we recommend changing this approach to adding value or your business will stall.

5. **This final action step is the best one. It applies to every benefit in this blueprint. If you are a best fit, something we can determine after speaking for 15 minutes, we can make arrangements to have you attend an event that will change your life forever. Don't worry, it's not an MLM or cult. You might only have to invest in your most important resource: time. The reason we put this action step here is it will also fix your mindset relative to your process. We hope you will want to speak about this soon.**

Conclusion: Do just one thing now.

If you take at least one action item from this blueprint and put it to good use for your business, your family, your clients, your employees, your partners, your vendors, and your community, what would it be? What action could generate the big impact you desire?

Our founder, Mr. Hunt, wishes someone had taken the time to teach him what's in here. Oh wait, someone would have but he admits he wasn't coachable, so he never reached out for help. He had all the answers already. Sure, answers that took bank accounts to zero a few too many times! Don't take your bank account to zero. Zero is NOT your hero. Stop, drop and be coachable.

As we promised throughout this document, if you want to connect with someone here to talk about your situation, we would be happy to spend a few minutes on the phone listening to your big idea. We need to align dates and times. Below, are some ways to start the process of communications. If we do not hear from you, that's OK too. We sincerely wish you the very best and we appreciate what you do for our industry, our country and your community.