

## **Case Study 2: Overstaffed Hybrid RIA with Compliance Concerns, Seeking to Streamline Processes and Increase Profitability**

Advisory firm with an independent B/D affiliation was managing approximately \$280 million across 6 advisors. The firm found FocusPoint as they were seeking ways to significantly streamline and transition their business. Approximately 50% of the firm's business was in commission accounts. Advisors had client assets in several different places—TAMPs, A, B, and C shares, annuities, and REITs. Staff consisted of 11 employees, which the firm felt was too many given their size. Their B/D had compliance concerns as they had given all advisors instruction to eliminate or transition all B and C share positions, yet had given no strategic guidance or assistance in this area. Additionally, each of the six advisors had a different investment process, style, and philosophy, and even though all were part of the same firm, there was no common message or vision to clients.

The firm's main issues and goals for the business were as follows:

- 1) Streamline advisor processes across the firm, so that all advisors were echoing the same company message and vision as well as investment philosophy and strategy.
- 2) Determine a strategy to move clients out of B and C share accounts.
- 3) Create a plan to address the firm's capacity concerns.
- 4) Redefine current responsibilities of staff and decrease number of staff to reduce overhead.

FocusPoint worked with all six advisors within the firm to come up with a plan to address and achieve these goals:

- 1) Advisors collaborated to determine an investment philosophy and process that all felt comfortable communicating and executing for their clients. In conjunction with this, FocusPoint helped them to design model portfolios that could be tweaked for each client depending on their unique situation, and utilized/managed efficiently regardless of account size.
- 2) By identifying their common message and investment strategy going forward, the firm was more easily able to create communication pieces and talking points on how and why they would be transitioning B and C share clients into fee-based or other appropriate accounts. FocusPoint helped the firm prep all relevant client paperwork relating to this change and a plan to collect documentation from clients in a timely manner.
- 3) Even with 11 staff, this firm had capacity concerns. By partnering with FocusPoint, they were able to create a custom outsourcing solution which allowed them to delegate most of their daily administrative responsibilities to a trusted third party which gave them a dedicated service manager who now serves as an extension of their own office and team. This built in capacity gave this firm the confidence that they

would be able to add a significant amount of new client relationships without needing additional staff (either outsourced or in-house).

4) By determining which ongoing activities they felt it was best to outsource, the firm was in a better position to decide which existing staff to keep in-house and offer those employees a job description that focused much more on client-centric activities for fee-based clients (scheduling, checking in with phone calls, client appreciation events, prepping for annual reviews, etc.) rather than daily operational minutiae. The firm decided to trim their staff to 6 from 11, greatly reducing overhead and freeing up some revenue to outsource various activities.

By creating a solid plan for the goals and business they wanted to have versus the one they actually had, this firm was able to achieve a more efficient, profitable, streamlined business. They chose to partner with FocusPoint to design a custom outsourcing solution and plan to get them from their current situation to the one they envisioned. Throughout their transition, they were able to move more clients to a fee-based relationship, increasing their fee-based AUM from 50% to 70%. They also made a strategic decision to keep a B/D affiliation, due largely to the amount of variable life insurance they did and planned to continue doing. This firm's profitability increased significantly due to the smaller, more efficient staff now in place, as well as the additional fee revenue generated from a) more fee-based clients and b) the firms' decision to charge higher fees on some accounts (something they had considered for some time prior to the business changes, and chose to pull this into their client conversations as well). Their B/D relationship improved as their compliance concerns were alleviated. And after formulating their game plan and partnering with FocusPoint, the firm's intrinsic value has also significantly increased, making it more attractive to potential advisors in the future.