Introduction

A well-thought-out and articulated business model will give a financial advisor the focus needed to efficiently and effectively provide the services they deem appropriate for their chosen client base.

For the purposes of this book, I will define an advisor's business model as the articulation of who the advisor's most compatible clients are, the services and products that the advisor offers/ provides to those clients, how those products/services will be provided, how clients are charged and how the advisor is paid. Advisors in all stages of their careers can benefit from a well-defined business model … even those about to retire.

During my 33 years as an advisor, I met many advisors with long successful careers. I learned that no two advisors are exactly alike. They all have distinguishing characteristics, different skill sets and different clienteles. Each advisor employs different combinations of successful and valid approaches to client contact, investing, financial planning, charging clients, etc. The successful advisor's approach to the services offered generally matches the needs of the advisor's unique clientele. There may be almost as many unique business models as there are advisors. From a client's point of view, finding a truly compatible advisor is a challenge. A good relationship is to be cherished and protected. Clients should have the right and opportunity to develop a long-term relationship with such an advisor. Trusting relationships take time to develop and are not readily interchangeable. "Appendix A: Why Advisors are Not Interchangeable" explains this in detail.

The Evolution of my Unique Business Model

When I began as an advisor, I was 26 years old. I was well educated with a Math degree, an accounting designation, industry courses and a well respected four-month training program provided by Merrill Lynch. I had no ready-made clients from my previous profession or personal life and had not yet fully developed my views toward how to invest or how to serve clients. In the beginning I had no business model. I was trying to be all things to all people. In my first two years in the business, I was willing to experiment with whatever my clients suggested even if it involved speculative investments. I remember feeling that I was more conservative than most advisors, and I wanted to invest clients' serious money, not speculate with their play money. If I had continued to let a few speculator clients distract me and dominate my time, my practice would have stagnated as other clients and prospects received less attention.

Gradually, my "business model" became an ad hoc collection of ideas based on what I knew about myself and what I was comfortable recommending to clients. These ideas accumulated and evolved as my knowledge and experiences grew. I had not fully formulated my approach to investing, but I knew that I wanted to minimize volatility and give my clients peace of mind. I also knew that I wanted my client's portfolios to be well diversified and include investments from outside Canada. As the years passed, I discovered services and products to add by exploring new developments in the industry and by listening to individual client's needs and realizing that many of my other clients shared the same needs. As I look back on my career, I realize that I gradually made groups of interrelated decisions that formed an unarticulated, unwritten business model that was best for myself and the clients I wished to serve. I can see now that the more business model decisions I made, the more focused and efficient my practice became. I had removed the stress of trying to be all things to all people, giving me greater peace of mind. I am confident that I would have arrived at my final business model and all of its benefits sooner if I had used a written business model development process similar to the checklist process I have designed and described for advisors in this handbook.

The purpose of this handbook is to encourage and help advisors articulate, develop or refine their unique business model with an easily produced written version that they will be comfortable showing to others. The process of creating the business model will also serve as a tool to assist in marketing and practice management. I will:

1) Describe the benefits of developing and having a written business model for advisors at all stages of their career.

2) Show how non-advisory industry participants can benefit by understanding the components of financial advisors' business models.

3) Discuss the components of an advisor's business model (compatible clientele, communication methods, investing, financial planning, tax, resources, pricing, compensation, etc.) and the many alternatives that must be considered as an advisor develops their own unique model.

4) Provide a listing of many potential actions or items in each of those business model components in checklist format.

5) Provide a thought process for developing each component of a unique business model using the personal experiences of myself and others to assist advisors in the creation of their own business model. I offer my final practice as an example of a completed checklist.

6) Provide advisors with a quick and easy template of checklists and macros downloadable through my website to create, modify and/or articulate their own unique written business model.