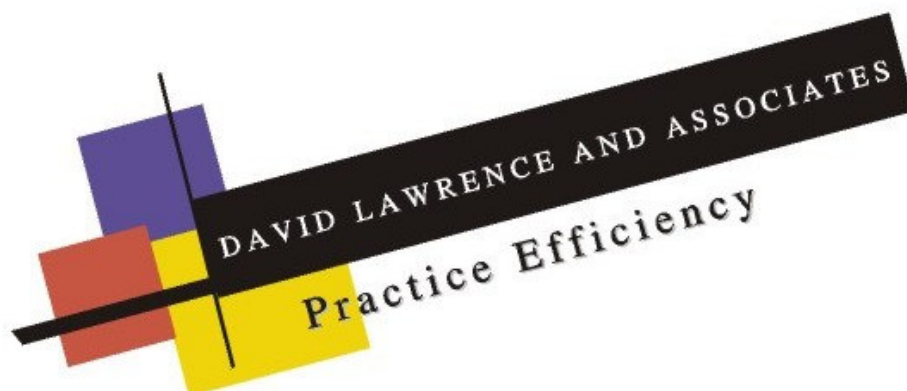


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## Practice Efficiency Newsletter

Your Practice Efficiency Consultant

December 13, 2005

**Dear David Lawrence,**

This newsletter and my consulting practice focuses on the tactical operational efficiency of financial practices. Tactical efficiency involves the smooth operational and procedural aspects of your office. The concept of tactical practice efficiency is where hardware, software, procedures, employees and training all work in concert with each other to produce greater output with less effort. Mark Tiburgian, Principal with Moss Adams, LLC was recently quoted in InvestmentNews as saying (in effect) that the greatest challenge facing financial advisory firms in the near future will be inefficient operations. The purpose of this newsletter is to feature information each month in one or more aspects of tactical efficiency. I hope that you get a lot out of this and future issues.

Please feel free to contact me with any comments and/or suggestions. Also, please forward this to friends and colleagues who might have an interest in tactical efficiency.

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### Workflow Systems: Efficient Methods for Tracking Tasks in the Office

One nagging question that keeps arising is whether or not the services provided by financial advisors are profitable given the amount of time, effort and resources expended to provide them. Despite how often this question comes up, the answer is frequently unknown. This may be because practitioners simply haven't taken the time to add up all the costs associated with various tasks performed on behalf of the client.

As an example, a recent discussion with a financial advisor revealed that his firm was charging an average of \$750 for a standard financial plan. Yet, a subsequent audit of the

### Featured Article - End of Year Stuff



Happy Holidays! 2005 has been an incredible year. We have taken our message of Practice Efficiency to literally thousands of practitioners all over the country. And 2006 promises to be just as busy. If you belong to a chapter of the FPA, NAIFA, SFSP and/or NAPFA, or you are affiliated with a broker/dealer organization and you would be interested in having David Lawrence speak to, or on behalf of, your group, now is the time to make those arrangements.

Typically, we try to limit our public appearances

workflow processes required to produce the plan determined that it took the firm (consisting of the financial advisor and a Para- Planner) about 20 hours to complete the plan. Given a \$150/hour rate normally charged by the advisor (according to him), the hourly cost to produce the financial plan was around \$3,000, not \$750. Given staff time, printing costs, paper and binding expense, the actual cost to the firm could be even higher. The argument for continuing to charge the \$750 was that they would make up the difference in the asset management fees. This may be true, but the larger question is; what is the overall impact to the firm for such sloppy workflow tracking? And, what is the message that is being sent to the client?

Many firms have begun to consider breaking apart their fee structures in an effort to get a better handle on profitability and to eliminate so-called 'loss-leader' services. The reason to create an a la carte menu of services is to create a stable cash flow for the practice and to better justify what is being charged to the client. Let's say you have a fee-based financial advisory practice where you charge 1% asset management fees and you offer financial planning as a part of overall services that do not incur a separate fee. The advantage of this system is it is easier to do the accounting and simpler for the client to understand. The disadvantage is that, in a down market year when assets under management (AUM) might decrease; your fees would go down as well. And, it may be telling your clients that the advice isn't worth much. Additionally, many advisors question the wisdom of this practice as it suggests their services are worth less in a down market year.

The alternative is a la carte pricing or breaking out the advice fees and potentially decreasing the AUM fees. The calculated amount of revenue from a client might be the same, but in a down market year, the advice fees could help stabilize an otherwise declining revenue base. And, the message being sent to clients is that the advice is worth as much or more when the going gets rough. You may also find your practice being more competitive in the AUM fees (if they are lowered) as compared to other practices in your community.

However, before creating an a la carte pricing model, it is a good idea to better understand what is involved in producing various services offered to your clients. To accomplish this, many firms are turning to workflow systems to set up tasks, track progress and build accountabilities for task completion.

One such system is already incorporated into a client relationship management software package called Junxure-i. ([www.junxurei.com](http://www.junxurei.com)) Junxure-I has Action tasks that permit the user to assign a task with time and date stamping. The task can be general in nature or tied to a client record. The task (or action item) can then show up on the assigned employee's action list with prompts. Once completed, the assigned employee can indicate so with a date completed. The record is retained in history for anyone who uses the system to see. With custom reports, an administrator could develop a task accountability report to help in specific task completion studies and to oversee and compare similar tasks performed by different people.

to 20 or so per year. For 2006, 6 -7 of those have already been spoken for. Therefore, please contact us at your earliest convenience so we can fit you in. David Lawrence and Associates is an approved sponsor of CFP Board of Standards Continuing Education Credits and offers these programs at no charge to your organization. (other than travel related costs) Our programs may also qualify for State Insurance CE credits and other professional designation credits.

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Another CRM software package, Act 4 Advisors (<http://www.software4advisors.com/act4advisors.htm> ), performs similar functions.

If you use Microsoft Outlook 2003 ([www.microsoft.com/outlook](http://www.microsoft.com/outlook)), you may wish to check out the task assignment features already included within the program. In addition to creating your own tasks in Outlook, you can create tasks that you assign to others. You do this by sending a task request to someone (a task request is a request sent in an e-mail message asking the recipient to complete a task. If the recipient accepts the task, it is added to the recipient's task list, and the recipient becomes the new owner of the task.). The person who receives the task request becomes the temporary owner of the task. They can decline the task, accept the task, or assign the task to someone else. The good news about this feature is that when the owner completes the task, Outlook automatically sends a status report to the person who originally assigned the task, any other prior owners, and anyone else who requested a report.

On a stand alone basis, financial advisors who want to get a handle on workflow processes in their practice without necessarily tying those tasks to client records may wish to take a look at a simple task management software called Checklist ([www.4thsoftware.com/productchecklist.html](http://www.4thsoftware.com/productchecklist.html)). Each task can be set with a creation date, due date, estimated time, elapsed time during task, priority and the task can be assigned. There is room for a note on current status of the task. You can append tasks to master tasks and view or change the hierarchy of tasks. At \$39.95 and offering discounts for volume purchases, this product is an inexpensive way to get a handle on workflow issues.

If you are not only interested in what your employees are doing when they are working on firm related tasks, but also interested in what they are doing when they are not working on company business, there is an office spyware program called Spector Pro ([www.spectorsoft.com](http://www.spectorsoft.com)). Spector Pro provides the ability to record every program (or application) and program window run on the computer you are monitoring. For each program, Spector Pro will capture the name of the person who used the program, when the program was started and how long the program was running. In addition, Spector Pro will provide even more information, such as how much time the program was actually used. Was the program simply opened and left on-screen, an indication someone might be trying to deceive you into thinking they were working all day in Word and Excel (when they were really surfing the web)? At \$99.95, this could be another tool to monitor your employees and, potentially insulate your firm against lawsuits resulting from inappropriate use of company computers (i.e. internet porn, etc.).

All of these tools mentioned are useful only to the extent that your firm can benefit from the information they provide. Establishing workflow systems, setting accountabilities and determining the cost of services provided to clients can help with employee management and product (service) pricing issues. The intended result should be to achieve more efficient office operations.

## What is a Practice Evaluation?

A practice evaluation is a comprehensive diagnostic study of your financial service practice operations from a variety of perspectives. Why do I need a practice evaluation? You would need a practice evaluation if you have concerns about the efficiency and profitability of your practice.

Some of these concerns may be: 1.) Is your financial planning or other services profitable parts of your practice? 2.) Does your overhead expense seem high for your practice, given its size? 3.) Do you find yourself purchasing new software and equipment without considering how well they may integrate with your existing systems? 4.) Do you feel like your practice is growing out of control or that it is not growing at all? 5.) Are you using the most appropriate and efficient business operation systems? 6.) Is there new technology and/or operational systems you should know about? 7.) Should you be adding new people? Are you making the best use of your existing staff and/or licensed representatives? 8.) Are your office furniture, equipment and arrangements the most efficient for their use? 9.) What would happen to your practice in the event you were unable to work for a period of time? 10.) Are you thinking about a merger? Can you retire?

These are only a few of the many questions that can be answered by a comprehensive practice evaluation.

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