

# The Efficient Practice

**Newsletter for  
Financial and Business Professionals**

## Downsizing Your Practice

Given that the past two years or more have been financially challenging for most financial advisors, some have chosen to downsize in an effort to regain profitability. Yet, without a clear plan to downsize, you could be doing more harm than good in the long run.

In a recent conversation with a financial practice in New York State, the decision had been reached to move into a smaller office space, downsizing the office from 1,500 square feet (SF) to 1,200. And, while the rental area was less (300 square feet less to be precise), the costs may not have been. In the larger space, the office was rented for \$12 per SF/year. This amounts to \$18,000 per year of office rental cost (not including extras, taxes, etc.).

The new space cost \$13.50 per SF/year. While not that much more per SF, the apparent cost savings with the smaller space per year is \$1,800 (again, not including extras). Over a 4-year span, the cost savings would amount to \$7,200. On the surface, it looks like a good deal. However, if we take into account the cost of the move, roughly \$5,750 in this example along with the cost associated with a change of address (letterhead, envelopes, business cards, yellow page listings, advertising, and much, much more, then the cost savings quickly evaporates. And, if we factor in the time cost associated with packing, moving, setting up the new office and multiply that

times however many employees are involved, instead of a cost savings, the move actually cost more than if the firm had stayed where it was.

In the end, the firm in this example, is faced with additional expenses, no cost savings for having made the move and it now must function with significantly smaller office space. Plus, the aggravation, confusion and frustration associated with making a move leads to employee discontent and client dissatisfaction. Ultimately, what does such a move say to your clients, when you move into a smaller, cramped space?

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## Collaboration: A Growing Need Among Financial Advisors

Going it alone these days is a recipe for trouble. The fact is, financial advisors are looked at by clients as resource providers. The expectation is that clients can get whatever they want or need (financially speaking) from their advisor. Yet, it is rarely practical, much less affordable for the financial advisor to provide it in-house. Therefore, more and more advisors are forming collaborations with other professionals, accountants, attorneys, etc. to whom they

can coordinate activities and information.

The question is, what is the best way to handle this, from a technology perspective. The answer may be surprisingly simple. Technology providers have been working on this issue for some time now and there are several viable options from which to choose. The first option is an independent collaboration platform. In this category, the clear winner is Family Office Network

([www.familyofficenetwork.com](http://www.familyofficenetwork.com)). The Family Office Network (FON) offers a Virtual File Vault in which every account can store up to 5 GB of storage. As FON is an internet accessed service, it is available anywhere in the world. Files uploaded to FON are also instantly available to both clients and advisors making virtual conferencing a simple process.

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The Efficient Practice

Special points of interest:

- > Downsizing
- > Collaboration
- > Compromise
- > Tools for Efficient Business
- > Commentary

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## The Efficient Practice

### Collaboration: A Growing Need Among Financial Advisors

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You can invite your clients and their other advisors to access your branded secure web-portal by signing in through your firms' website, using your customized welcome email. You have full control over who and when they can access the information.

Junxure Client-View™ Live offers your clients a secure web portal with document vault, on-demand reports and enhanced communication channels.

Files are stored using State-Of-The-Art storage facilities around the world. Backups are performed nightly to three different locations on two continents. Rest assured that you can access your documents anytime, anyplace, worldwide.

You can also create user accounts using Comma Separated Values (CSV) files. These are common in address books and CRM software programs, making the process of adding accounts such as your clients or collaborators easy and fast. You can invite your clients and their other advisors to access your branded secure web-portal by signing in through your firms' website, using your customized welcome email. You have full control over who and when they can access the information.

You also can add as many clients as you want and control which of their other advisor interact with them. There is a client dashboard that permits you to view and manage your clients on one screen. Search for clients based on any of the criteria in the system. Most important, FON allows you to work with your clients' other designated advisors to easily and securely share information and documents.

A typical situation might arise like this: Your client is traveling in Europe and loses his/her passport. If this has ever happened to you, it can be a frustrating and lengthy process (up to two weeks) to retrieve a new set of documents to be able to return to the United States, unless you have a copy. With Family Office Network, your clients could conceivably go to any internet café in Europe,

download and print the passport copy and get a replacement in 48 hours. This alone makes having this such an incredible tool for both you and your clients.

But FON offers more than just this. They also offer account aggregation services. Total Aggregation™ is made possible as a result of FamilyOfficeNetwork® building single sign-on partnerships with industry leading Account Aggregation providers. Offering your firm or your clients' access to all current account details, Total Aggregation™ combines the unique web-based elements of dynamic Account Aggregation and the file sharing, communication, and organizational tools of FamilyOfficeNetwork®. The result is up-to-date, one-stop access to virtually all client account information.

While the account aggregation partners and FamilyOfficeNetwork®'s collaborative solutions function independently, integrating the two technology solutions creates an inclusive package that is unrivalled in cost, efficiency, ease of use, and compatibility with other programs currently used in your office.

There is even a tasking dashboard in FON. Client tasks are easily dealt with in one place in the Tasking Dashboard. Tasks can be sorted and printed to Adobe PDF documents. You can easily task every client in the event of an emergency or for regular notifications. Tasking your clients with FON will enable you to give a greater level of service all with less effort.

The other category might be referred to as a dependent collaboration platform. In this category, the clear winner is Junxure's ClientView™ Live ([www.junxure.com](http://www.junxure.com)). Junxure ClientView™ Live offers your clients a secure web portal with document vault, on-demand reports and enhanced communication channels. Because of the unique relationship with the heralded client relationship management software offered by Junxure, there is a high degree of dependency and sharing between the two products. In addition to offering many of the same features offered by Family Office Network, ClientView™ Live also offers a practice metrics platform, to measure and compare your practice numbers with national standards and other firms. This particular feature is relatively new, and somewhat basic. But, it offers a different twist to the collaboration platform.

One of the major differences between these two platforms is the way in which they approach data. FON accepts data from many sources and, in fact, recently forged a deal with Trumpet, Inc. to offer functionality on their Worldox document management platform and Virtuoso which can integrate data with your CRM software, including Junxure, Redtail, ACT, IAS and ProTracker. ClientView™ Live is dependent on the information stored in Junxure, which to be fair, can be imported from a variety of other sources.

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## Collaboration: A Growing Need Among Financial Advisors (cont'd from Page Two)

There are two other solutions, albeit cheap, that can possibly work for the smallest of financial firms. Google Docs ([www.google.com/docs](http://www.google.com/docs)) offers a platform for the storage and sharing of documents and information. While a long way from the functionality of a FON or ClientView™ Live, the service is free, though limited in size of storage.

You can create basic documents from scratch or start from a template. You can easily do all the basics, including making bulleted lists, sorting by columns, adding tables, images, comments, formulas, changing fonts and more. And it's free.

You can also upload your existing files. Google Docs accepts most popular file formats, including DOC, XLS, ODT, ODS, RTF, CSV, PPT, etc. So go ahead and upload your existing files. Just click the toolbar buttons to bold, underline, indent, change font or number format, change cell background color and so on. You can choose who can access your documents. Just enter the email addresses of the people with whom you want to share a given document and send them an invitation. Anyone you've invited to either edit or view your document, spreadsheet or presentation can access it as soon as they sign in. Multiple people can view and make changes at the same time.

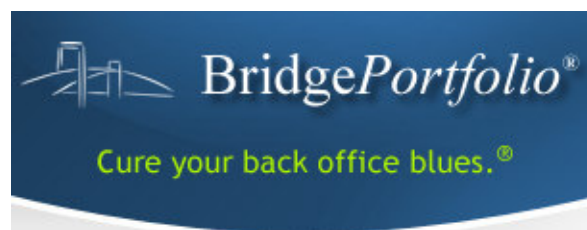
There's an on-screen chat window for spreadsheets, and document revisions show you exactly who changed what, and when. Viewing a presentation together is a breeze, as anyone joined in a presentation can automatically follow along with the presenter. You also have full control over who can access what documents. The big drawback is size. You are limited in size to how much you can store and share.



The other offering is Microsoft Office Live [www.workspace.officelive.com](http://www.workspace.officelive.com). Also offered for free, Office Live is a similar offering to Google with the exception of its interactive abilities with any and all MS Office programs. With Office Live, you can access files anywhere, store and share up to 5 GB without losing control and work with others on the same files. You can even open, edit and save MS Office files directly from within Word, Excel and PowerPoint.



With either Google Docs or Microsoft Office Live, you do not get the financial practice features such as aggregation, metrics, reporting functions, etc. But, for a small practice, it might be worth a look.



### Downsizing Your Practice (continued from Page 1)

Having said all this, there are times when moving into another location does make sense. There have been financial advisory firms that were partnerships where the partners chose to break up. In this instance, making the move can be explained to clients in a logical way. And, with significantly less staff (for instance) continuing to operate in a much larger office that is only half-full can be unsettling to the clients of your firm. In other words, moving into a smaller office space is justified for more than just the cost factors.

Reducing the size of the office is just one of the many issues that can be addressed in downsizing. Some firms have chosen to downsize the number of employees. And while the cost associated with payroll is generally one of the highest in a firm, this is often mishandled, resulting in not only the loss of a valued employee, but the loss of trust of the remaining employees.

And, yes there are situations in which an underperforming employee can be identified and weeded out as in the case recently with a firm in Tennessee where one of the highest paid employees was found to be perusing NASCAR websites on the company computer most of the day rather than contributing to the success of the firm. Or, in another case in Texas, where a new male employee was caught viewing porn on a company computer in full view of anyone (including clients) who might walk by his desk.

These are obvious employee termination situations that would not necessarily be isolated to downsizing situations. The tougher calls are the ones where it is determined due to the firm's loss of revenue from percentage fees for Assets Under Management or AUM (due to a down market condition) that one employee must be let go, when all employees are hard-working, talented and motivated contributors. It is a tough call because the reasons for firing the employee

may be unrelated to their job performance, attitude and/or motivation.

To combat this, some firms have looked at firm-wide salary rollbacks as an alternative to releasing a valued employee. As an example, a firm could introduce a 10% rollback on a firm with 7 employees that have an average salary of \$40,000 each. This would free-up \$28,000, plus FICA, Medicare, State and Fed Tax withholding, 401k contributions, and potentially other costs in the budget. Ultimately, such a rollback could save the employer close to the cost of a single employee, while firing no one. To counter the possible negative reaction from the employees to a rollback, it could be presented as a temporary cost containment procedure that is preferable to letting someone go. It could also be paired with a year-end (or quarterly) bonus program that is directly tied to net-profit increases, giving the employees the incentive to assist in making the firm more profitable as it could recover their 10% or more in the long-run.

Yet another target of downsizing is clients. Yes, some firms actually decide to downsize their clients, especially those that are viewed as time and/or labor demanders, while contributing little or no profit to the firm. Many firms have a list of clients that were perhaps carried over from earlier years in the business. They may be substantially below (in assets, products or other aspects) the ideal client for the firm. In some cases, they remain clients in name only, due to the limited nature of the relationship. Yet, they may be receiving the same level of support, feedback, reporting, access to their advisor, etc. that the wealthier (or more appropriate) client is receiving.

In most cases, performing a cost/

benefit analysis of your client base is an excellent way of determining the characteristics of your clients that provide the firm with the most efficient net profitability. And, while there are always exceptions (for example, a relative of a client), focusing on those clients that match up best with what you do and how you do it can improve the overall profit picture.

The question is, what do you do with the others? Do you simply fire the clients that don't fit the ideal? Do you charge them more or reduce services to them? Do you assign them to the new advisor in the office for 'practice'? These are the questions that must be answered. And, whatever you decide to do, it must be explained to those clients in a way that is both positive and affirming.

Finally, there is one other aspect of downsizing to be considered, deciding what to do or not do in your practice. Trying to be all things to all people rarely works well. The old phrase, '**Jack of all trade, Master of none**' applies here. Beyond being impractical to present yourself as an expert in all areas of financial services, it is hugely inefficient to attempt to be that expert. Therefore, many firms have studied what they do well and what they do not do as well. Choices in this area are to either eliminate certain services or outsource those services that the advisor either does not like to do, want to do or do well. Some of the outsource areas to consider are financial planning, investment management and reporting, tax preparation, marketing and advertising.

If handled prudently, thoughtfully and efficiently, downsizing can right-size your practice and your profits.

## Exploring Compromise (cont'd)

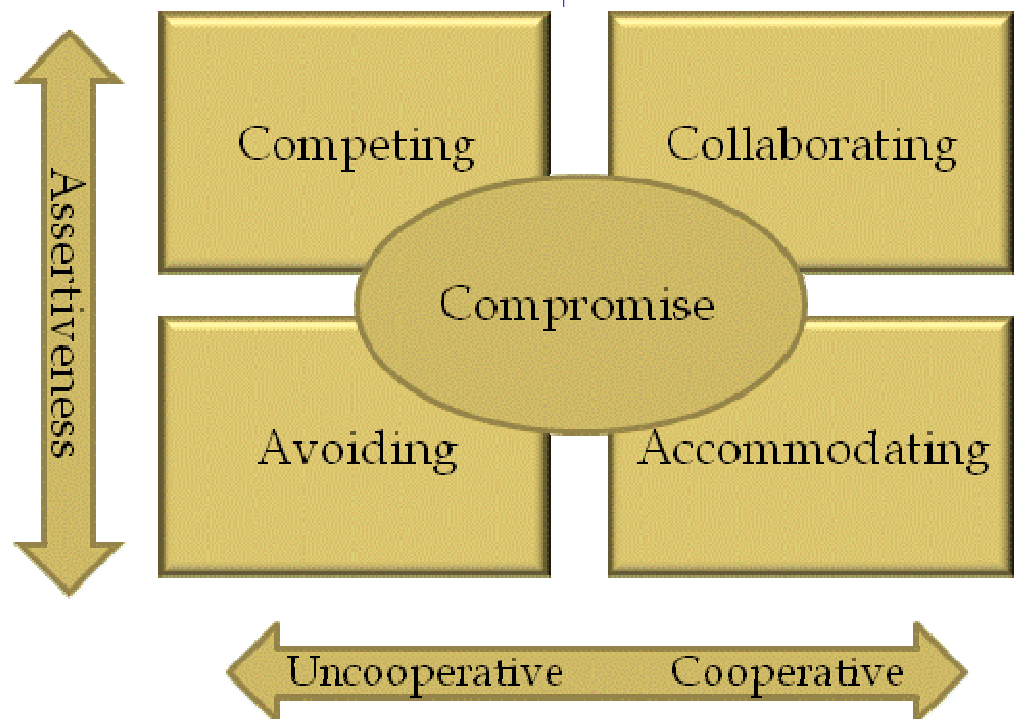
With all the attention lately on the lack of willingness on the part of Congress to compromise, it would seem to be hot topic of debate. However, compromise extends way beyond Congressional posturing. Compromise through negotiation is part of every business owner's life. Whether a financial practice, accounting practice, etc., at one point or another you are likely to be confronted with a negotiation. It could be focused on fees or services or both. So, a quick review on the elements of compromise might be helpful for all of us.

The definition of compromise is a settlement in which each side gives up some demands or makes concessions; an adjustment of opposing principles, systems, etc. by modifying some aspects of each. In the financial services world, a common discussion involving compromise might be the unreasonable demands of a client wishing to retire early confronted by the reality of a financial picture that cannot sustain such a retirement.

The chart below illustrates that salient positions and attitudes that confront compromise. Knowing these can better prepare you for a negotiation. In divorce, for example, compromise is a common technique in reaching an amicable settlement. In fact, divorce proceedings have taken on new meaning with the emphasis on collaborative divorce—that is, divorce arrived at through common understanding and compromise.

Many times, decisions involving great expense, or risk may seem to overwhelming to attempt. Compromise is a way in which a part of the decision may be possible now permitting a revisit to the rest later. Often, compromise is simply the process of discovering one's comfort level. Often, the basis of that comfort level or threshold of compromise may be something other than money. As the negotiator, it is your job to find out what it is to make the process go smoothly.

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### Tools for Efficient Business: DropBox



With all the emphasis on high-priced, fancy, gadget-heavy services designed to allow the safe storage and retrieval of documents and information online, it is hard to imagine that a low-priced, simple concept could gain much traction. However, DropBox ([www.dropbox.com](http://www.dropbox.com)) is such a program. Offered in three sizes, it just might be what you need, assuming what you need is simple and easy to use.

DropBox allows you to sync your files online and across your computers automatically.

- 2GB of online storage for free, with up to 100GB available to paying customers.
  - Sync files of any size or type.
  - Sync Windows, Mac and Linux computers.
  - Automatically syncs when new files or changes are detected.
  - Work on files in your DropBox even if you're offline. Your changes sync once your computer has an Internet connection again.
  - DropBox transfers will correctly resume where they left off if the connection drops.
  - Efficient sync - only the pieces of a file that changed (not the whole file) are synced. This saves you time.
- Doesn't hog your Internet connection. You can manually set bandwidth limits.

Sharing files is simple and can be done with only a few clicks.

- Shared folders allow several people to collaborate on a set of files.
- You can see other people's changes instantly.
- A "Public" folder that lets you link directly to files in your DropBox.
- Control who is able to access shared folders (including ability to kick people out and remove the shared files from their computers).
- Automatically create shareable online photo galleries from folders of photos in your DropBox.

A copy of your files are stored on DropBox's secure servers. This lets you access them from any computer or mobile device.

- Manipulate files as you would on your desktop - add, edit, delete, rename etc.
- Search your entire DropBox for files.
- A "Recent Events" feed that shows you a summary of activity in your DropBox.
- Create shared folders and invite people to them.
- Recover previous versions of any file or undelete deleted files.
- View photo galleries created automatically from photos in your DropBox.

DropBox takes the security and privacy of your files very seriously.

- Shared folders are viewable only by people you invite.
- All transmission of file data and metadata occurs over an encrypted channel (SSL).
- All files stored on DropBox servers are encrypted (AES-256) and are inaccessible without your account password.
- DropBox website and client software have been hardened against attacks from hackers.
- DropBox employees are not able to view any user's files.
- Online access to your files requires your username and password.
- Public files are only viewable by people who have a link to the file(s). Public folders are not browsable or searchable.

<p>Basic Version 2 GB= <b>FREE</b> Pro 50 GB = \$9.99 month Pro 100 GB = \$19.99 month</p>
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## Commentary: Technology and The Future

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At the most recent Technology Tools for Today Conference held at Torrey Pines, near San Diego, emphasis was placed on the need for integration. That is, software integration was stressed. Many firms pointed to their efforts in this area, such as Interactive Advisory Software recently adding MoneyGuidePro as an integration partner, even though they already have a financial planning module as part of their own suite of softwares. Or, family Office Network, that has successfully added Trumpet, Inc. as their new integration partner.

But, the reality is that software and, yes also technology integration is still spotty at best. Take a look at the heralded website [YourSilverBullet.net](http://YourSilverBullet.net) and see all the companies that have agreed that integration is a great idea. Then look at the inconsistency of their integration lists on that site. It is because the site is voluntary. There are no hard and fast rules that if a company is a member, that they must integrate with all other members. While the concept that software companies should play nice together is a good one, the reality is that many do not want to play at all. There are a host of reasons why; competition, fear of loss of proprietary software code, dilution of revenue, risk of linking up to an unstable partner, etc.

This makes decisions for financial advisors that much more difficult and/or expensive. Trying to find the best selection of software products/services that fit your practice and at the same time interact efficiently adding profit to the practice could take you months to uncover. And worse, it could cost thousands of dollars in the process. And, even worse, you might end up with the wrong choices.

So, one direction to take is to work with a trusted and knowledgeable independent consultant, who can help sift through the hundreds of choices and make the process of integration, adoption and training of employees and you that much easier.

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*-David L. Lawrence*

We're on the web!  
[www.EfficientPractice.com](http://www.EfficientPractice.com)

We assist our clients in realizing additional profits through a thorough analysis of your business operations from a variety of tactical perspectives that stress the efficient use of resources. We have identified **four broad areas of operational efficiency** which form the basis of our evaluative process. We do this by taking the time to learn everything we can about your business and then offer recommendations based on where you want to take it. And we offer on-going support and coaching to ensure that your path to increased profit continues unabated.

**Note:** No software, service, product or company mentioned in this newsletter paid for such mention. This newsletter remains totally independent.

## The Efficient Practice

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