

The Efficient Practice

Newsletter for
Financial and Business Professionals

Doing Business in Other Countries

Much has been written about the increased regulation of the Financial Services Profession and the impact it has on operations. However, it may surprise you to learn that financial practitioners in other countries often face even greater challenges to doing business. At the Million Dollar Roundtable (MDRT) Conference held in Anaheim, California June 10 – 13th, 2012, members from all over the world gathered to meet, discuss and share ideas, best practices and challenges. It was at this conference that I had the chance to interview several attendees from two distinct areas outside of the United States: Canada and Asia (specifically China, Hong Kong, Malaysia, Singapore and Taiwan). The interviews revealed some interesting observations on the challenges faced by these attendees and others.

Paul Marchand, a financial practitioner from Montreal, handles life insurance, critical illness coverage and Disability Income insurance. While he is not licensed in the United States, Paul has indicated that he still does business, principally through what he termed ‘correspondents’ in the U.S. He handles benefit programs for the Ritz Carlton Hotel chain and when transactions occur in the U.S., he is mandatorily required to withhold 30% of the proceeds under a treaty arrangement with Canada. Yet, he said, by filing in Canada, he can recover that money later. He also works through an organization in Barbados. According to Paul, there is a treaty between Barbados and Canada that allows for 99.5% of income to be received tax-free. Thus, business funneled through the Barbados entity can be extremely profitable.

Carol Yu, an MDRT Zone Chair from Taiwan works with Prudential in that country. She calls herself an Executive Life Planner. Among the challenges she faces in Taiwan is a new calculation of the life expectancy rule, set to take effect in July 2012, that increases life expectancy and the cost of life insurance will drop, affecting her income.



Special points of interest:

- > Doing Business in Other Countries
- > Choosing the Right Employee Tips and Tools
- > Efficiency Tips and Tools
- > New Gadgets

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She mentioned that 20% of Taiwan's population is 65 years or older. Thus, with an aging population, the need for lifetime planning is great, but the people there don't recognize that need. The divorce rate in Taiwan is high, which adds an additional complication to planning.

Serge Morel, a general practitioner from Canada, is a 42 year member of MDRT. Serge indicated that he used to have clients in various countries around the world, such as the United States, Singapore, Greece, etc. But, when Canada Life, in 1994, finished the acquisition of the Canadian individual insurance operations of New York Life, and the U.K. acquisition of the individual insurance operations of Manulife Financial, along with the acquisition of MetLife (UK) in 1997, he effectively lost those non-Canadian Clients. Still his business has grown substantially despite an increase in insurance rules in Canada; imposed in the wake of multiple fraud scandals similar to what has been experienced in the United States.

Tse Lap Yee (Stanley) is a specialist in employee benefit programs for business. Stanley works out of Hong Kong and has been a practitioner for over 20 years. He has 50 consultants under his management and runs a successful insurance business associated with the American International Assurance Company (AIA) out of Bermuda. What is unique in Hong Kong, according to Stanley, is that Hong Kong has no national insurance plan, but hospitals and doctors are relatively inexpensive. Still, the need for health coverage is great and Stanley does a series of seminars he terms "Worksite Marketing" to attract business. He has pioneered a seminar program titled 'From Group to Great' (a takeoff from Jim Collins book, Good to Great) that is intended to up-sell business employees from their group benefits to individual products. He typically does not do business outside of Hong Kong. However, many Mainland Chinese travel to Hong Kong to purchase investments and insurance. He indicated that about 20 – 30% of premiums paid in Hong Kong originate from mainland China.

Stanley also mentioned that anti-money laundering is a big issue in Hong Kong. Regulations have been stiffened to account for this threat. Additionally, clients in Hong Kong tend to be more educated and thus, he noted that complaints have risen in recent years. Perhaps one of the greatest challenges faced by Stanley and his team are the banks in Hong Kong. Banks are free to openly compete, unrestricted by any regulations or laws similar to the Glass-Steagall Act in the U.S.

Yet another interview was conducted with Venkatech (Venka) Kalyanum, B.A., CFP®, a risk management practitioner from Singapore. Venka is a 20 year veteran of risk management and indicated that the greatest challenge faced by financial and insurance advisors in Singapore is the growing immigrant population. Venka employs 30 consultants and has a vibrant practice in Singapore, whose first language is English.

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...Other Countries

(cont'd from Page Two)

Thus immigrants, many of whom are from India and other neighboring countries, are coming to Singapore looking for a better life. They may or may not speak the language and their acceptance of financial planning and retirement is low. A great deal of the communication with clients is now accomplished through Email and Skype, rather than in person appointments.

Perhaps the most interesting interview was with Mohamad Manmohan Abdullah, a Chartered Financial Consultant (ChFC) and Chartered Life Underwriter (CLU) from Kuala Lumpur, Malaysia. Malaysia is predominately a Muslim country. Under new regulations in that country, each practitioner must pass a series of 4 exams, one of which qualifies them as a Registered Financial Planner in Sharich (RFP-Sharich). The Sharish exam ensures that each practitioner possesses a working knowledge of basic Islamic principles and is trained to sell products that pass muster with a tribunal board. Interestingly, the board passes judgment on investments if they follow certain Islamic Guidelines, such as not investing in a company that produces or sells alcohol or is in any way involved in gambling (for instance). The Sharich tribunal would not allow such investments to be sold under their rules. This is somewhat reminiscent of socially and environmentally responsible investments offered in the United States. While there is no requirement to invest in such instruments here in the U.S., the principal appears to be similar. It is, in effect, a religious screening procedure. The products approved also must contain guaranteed portions.

Beyond the complexity of licensing in Malaysia, there is also stiff competition from banks and Unit Investment Trust companies, particularly with high net worth clients. Manmohan has clients outside of Malaysia, in such faraway countries as Oman and New Zealand. He typically works with them and communicates via Email, SMS and Skype.

Clearly, doing business in the United States has its challenges. Increased regulation, compliance rules and laws have added work and expense to the running of a financial advisory practice. But, in these interviews, it became apparent that those practitioners that live and work in countries outside of the United States face even greater challenges. Yet, the surprisingly good news may be that, despite these obvious hardships, financial practitioners have found ways to overcome and thrive in a variety of regulatory environments. The lesson that can be learned from this is that despite what additional regulations may come, there are always paths to deal with such challenges efficiently.

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Choosing the Right Employee

There is nothing more inefficient or costly than selecting the wrong person to fill a particular position within a firm. There is the time lost in the process not to mention the cost of acquiring a new employee along with wages paid to someone who does not stay. And, even though much has been written on the subject of employee selection, there are still a large number of firms that struggle with this concept. Most often, it is due to a lack of research and preparation, prior to the hiring process, but it could be due to a variety of factors such as ill-defined job responsibilities, lack of attention to the team dynamics, personality issues and other factors. And, some firms have hired 'targets of opportunity.' These are people who came to the attention of the firm, who possess certain skills, but may or may not be a good fit for what the firm needs. So, the question is, what are the proper steps to ensure that the person you hire turns out to be the right employee?

Step One: Pre-hire preparation: clearly, you cannot hire the right employee, if you do not know who or what you are looking for. Having a fairly well-defined idea on who this person should be will go a long way to finding this person. One way to accomplish this is with detailed position descriptions. By this, we are not talking about a one or two paragraph description, but a detailed list of position responsibilities, firm accountabilities and management expectations. These position descriptions can not only be used in the hiring process, but also in periodic objective job evaluations. By establishing objective criteria, then observing performance and behavior, the evaluation process is an objective-driven process, rather than subjective.

Another aspect of the pre-hire preparation is in identifying where your job candidate could come from. For this, it will be necessary to determine the position requirements (i.e. education level, years of experience, and experience with certain aspects of the job). This will help to narrow down the sources of candidates. There are a number of firms that specialize in recruiting candidates for positions. With apologies to the many firms who offer such services, here are three worth noting: Turning Point, Inc. (www.tpisearch.com) assists in identifying veteran advisors and executives for the financial services profession and New Planner Recruiting (www.newplannerrecruiting.com) works with college and university programs to identify appropriate financial planning practitioners. Experienced Advisor Recruiting (<http://www.experiencedadvisors.com/>) offers advanced services for firms specifically looking for experienced (5+ years), credentialed (CFP, CFA, AIF, etc.) Financial Planning and Investment Advisory professionals with firms who need the unique blend of technical expertise and relationship management skills these advisors possess.

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Use of these firms often comes at a price, but it may be worth it, considering the time and effort it takes to identify candidates and narrow the field to your firm's specific needs. There are also college programs with graduate resumes online for review.

Step Two: Background information: There are three sources of background information that are critical to the hiring process. First, you should consider putting your top candidates through some sort of psychometric testing. But, this alone is not enough. You should first familiarize yourself with the test results and you should also consider performing psychometric tests on all of your existing employees to create a team profile. This can aid in identifying who would fit in with the rest of the team. Knowing what test results would identify the perfect candidate for your position will give you an edge when your candidates do the test. Two companies that produce reliable results are Kolbe (www.kolbe.com) and Caliper Corp. (www.calipercorp.com).

Additional background information that should be gathered are criminal background reports (all States, not just your State) and, if applicable, U-4 information (SEC broker check, etc.). These days, such reports are easy and relatively cheap to obtain online. In most cases, for criminal background checks, you will need the candidate's permission and their Social Security number along with possibly other identifying information.

The resume is yet another source of background information. Apart from calling former employers; look for gaps in the history of employment. This can raise questions to be covered in an interview. When calling former employers, it is often difficult to get much info, but verifying employment and employment dates is helpful.

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Step Three: The Interview: This is also a critical step and is often mishandled by employers. The interview should be an objective set of questions that relate to work in general and the position offered in specific. The questions should be the same for each candidate so that an objective comparison can be made. And consideration should be made of the psychology behind the answers. The interview is the candidate's opportunity to show their best side and not necessarily reveal their shortcomings. To that end, one of the first questions that might be asked is, ***“did you have any trouble finding us today?”*** If they answer that they did, it may be an indication that they did not do their homework on where the firm is located. This also leads to the second question, which should be, ***“Tell us what you know about our company.”*** What you hope to hear is that they visited your website, looked at other sources and have a reasonable first impression on who the firm is and what they do. If not, if they indicate that they really do not know much, if anything about the company, it should raise a red flag.

Some of the questions should explore hypothetical situations. An example of such a question is, ***“If you know that your boss is 100% wrong about something, how would you handle the situation and what would you say to the boss?”*** The answer to questions like this may offer insight to the candidate's communication skills.

In asking such questions, look for more than just the verbal answers. Look at the non-verbal cues. Look for such cues as eye movement, pauses and even Adam's apple movement prior to or during a candidate's answer. According to studies, The Adam's-apple-jump is an unconscious sign of emotional anxiety, embarrassment, or stress. During an interview, e.g., a listener's Adam's apple may inadvertently jump should he or she dislike or strongly disagree with a speaker's suggestion, perspective, or point of view. One interesting source of information on this is the Center for Nonverbal Studies (<http://center-for-nonverbal-studies.org/>).

A long-standing goal of nonverbal research has been to find reliable signs of deception. The quest is fueled by popular and scientific observations that deceit often is accompanied by unconscious signals revealing anxiety, stress or shame while lying. Studies indicate that certain signs used when speaking (for instance: a glance-downward and/or rate of head and hand movements) do accompany lies. Care must be taken not to mis-read these signals, as an overly nervous candidate could produce similar symptoms.

It is important to recognize that no one method is going to give you the best profile of a candidate. All of the above sources of information need to be considered to provide the best verification of a candidate's qualifications and fit for the firm. And, if done methodically and consistently, the firm stands the highest likelihood of finding and retaining the right employee.

Efficiency: Tips and Tools

People are often fond of gadgets. Gadgets can make life easier and more fun. The popularity of the I-Phone, for instance, is proof of how a cleverly marketed gadget can capture the imagination of the consumer. In the financial service world, there are numerous examples of gadgets that may be used by financial advisors. From desktop tools to software to peripheral equipment, there are a variety of such items from which advisors can choose. The challenge is finding those tools that can actually improve the efficiency of the financial advisor instead of creating an unnecessary distraction.

One tool that could prove to be an inexpensive way to boost collaboration among staff in an office is Evernote (www.evernote.com). Evernote is a great note taking tool that is free, unless you upgrade to the Premium edition. You're always moving, your notes should be too. With Evernote, your memories are on every computer, phone and device you use. Save entire webpages to your Evernote account with their nifty browser extensions. You get the whole page: text, images and links. Share your notes and collaborate on projects with colleagues and others on a permissioned basis.

With Evernote, all of your notes, web clips, files and images are made available on every device and computer you use. Additionally, Evernote integrates with Microsoft Outlook and permits you to be able to capture all or just part of an email with the click of a button for saving and sharing. Also, Evernote can capture voice notes for later playback, for those times when typing on a computer, laptop or phone device is just not convenient.

As a collaboration tool, Evernote can provide a communication sharing venue for quick notes, ideas, concepts and/or images that can be shared with others for discussion and/or collaboration. Often, attempting to text instructions to staff while on the go can be time consuming and frustrating, depending on the device used. With Evernote, details can be quickly and efficiently disseminated to staff.

One of the more difficult aspects of client meetings for advisors is trying to listen to what the client is saying while attempting to take accurate notes. There are two tools that could prove useful in this endeavor. The first is using a digital recording device that is compatible with voice recognition software. Typically, these two items are bundled. Nuance Dragon Naturally Speaking (www.nuance.com) offers such a bundle. Its latest software edition boasts no training required for up to 99% levels of accuracy.

However, it should be pointed out that, if you already own or have recently upgraded your operating system to Windows 7, there is voice recognition software already included in the Windows 7 software that rivals the accuracy of Dragon. As an example, you might decide to use a laptop in a client meeting; it could be configured to capture and show the text conversion during the meeting. Uses of recording devices in client meetings are subject to privacy rules and may be prohibited by compliance rules imposed by your broker dealer. Check for such rules prior to use and in every case, the client's permission should be obtained. **(Continued on Pg 8)**

Efficiency: Tips and Tools (cont'd)

The second tool, in this regard, is a digital pen. Digital pens can capture whatever you write and transform it into text in a computer. There are two models worth checking out. One is Livescribe (www.livescribe.com). The Livescribe Echo SmartPen offers the ability to write notes and then transform them into text on a computer. It also has an audio capability, so that you may be able to not only write your notes, but capture the audio for later conversion to text. Livescribe can come bundled with Evernote and is fully compatible with Evernote (mentioned earlier). Livescribe Echo requires the use of a special grid paper.

For this reason, you wish to check out another digital pen from Logipen (www.logipen.com). Logipen advertises that it can be used with any paper, by clipping a device onto the pad of paper you might be using, instead of the use of grid paper. Logipen does not have the audio capability, but at half the price of Livescribe, is certainly worth checking out.

More and more, advisors are using the iPad tablet computer as an efficiency tool. Paired with the iPhone, it can be helpful as a data collector and display device. As a processing tool, it is limited in its ability to compete with a full-featured laptop. And, until recently, the storage capacity of the iPad was a serious impediment. However, Apple has now introduced the iCloud. iCloud is more than a hard drive in the sky. It makes it quick and effortless to access just about everything on the devices you use every day. iCloud automatically and [securely](#) stores content so it's always available to your iPhone, iPad, iPod touch, Mac, or PC. It gives you access to your documents, music, applications, latest photos, and more from whichever device you happen to be using.

And it keeps your email, contacts, and calendars up to date across all your devices. No syncing required. No management required. In fact, no anything required. iCloud does it all for you. When you sign up for iCloud, you automatically get 5GB of free storage. And that's plenty of room, because of the way iCloud stores your content.

If you do not like or want to go the Apple route, no worries as both Microsoft and Google offer competing products (that have been around longer, by the way). Microsoft offers Office Live (with SkyDrive) and Google Docs was the first of the online storage solutions.

Whether you choose the Apple product or others, the concept is the same. Documents and information are stored online for easy retrieval and sharing. Other pure storage solutions that auto sync with various devices are such notables as Dropbox, NetDocuments, Family Office Network, and Sugar Sync. Again, though, these solutions may be subject to compliance rules and/or regulatory restrictions.

With any of the aforementioned devices, gadgets, tools or software, a pivotal question should be asked before going out and purchasing or obtaining the item. The question you should be asking yourself is: how is this solution going to benefit my client and/or my practice? Often, simply buying the latest fad and then trying to figure out a way to fit it into the operations of a firm is counter-productive and can lead to inefficiency (or a waste of valuable time). First, identify the need and then investigate your options. In the end, you may stand a better chance of making efficient use of the product selected.

New Gadgets

While the hype has produced big sales results for such Apple products as the I-Phone and I-Pad, there are other choices and, surprisingly, they may better fit your needs. Check out the new Microsoft Surface Tablet PC, for instance. Surface has the new Windows 8 platform and is compatible with all the MS Office products you probably use every day at the office. Word, Excel, PowerPoint, etc. can all be used seamlessly on the Surface.

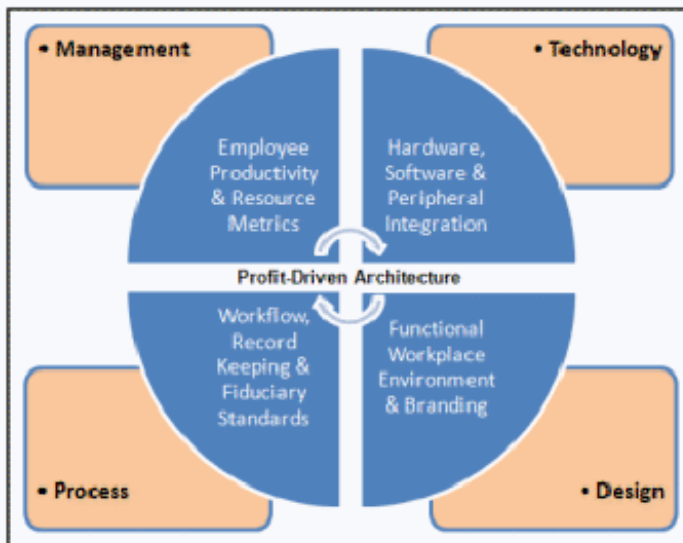
The new Microsoft Surface will feature a 10.6-inch wide display with Gorilla Glass, its own stand, a full-size USB

port, dual Wi-Fi antennae, a multi-touch keyboard and a track-pad — and yet is only about a half-inch thick, says Windows chief Steven Sinofsky. Models will come with either 64 gigabytes or 128 GB of storage.

The USB port alone makes this significantly different and more usable than I-Pad. Oh, and it also runs Flash content, something else you cannot do with an I-Pad.



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