

ActiFi

From Process to Profits

How a systematized business enables fiduciary excellence, enhances your value proposition, and drives revenue

Spenser Segal, AIFA®
Chairman and CEO

ActiFi What You're Going to Learn

1. A process to ensure your plan aligns with your short- and long-term goals
2. How to capture a fiduciary-centric process in tangible formats
3. How to align and communicate your fiduciary processes with staff's and clients' benefits
4. Advice and tactics to handle the change management obstacles that will arise

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ActiFi Quiz: True or False

Implementing new ideas is easy for most firms.

True False

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Change is painful.

Organizational change is unexpectedly difficult because it provokes sensations of physiological discomfort.

Source: The Neuroscience of Leadership by David Rock and Jeffrey Schwartz
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ActiFi Quiz: True or False

Reducing headcount is the most effective way to increase profitability in this environment.

True False

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Focus on Referrals and Client Relationships

Now is the time to translate your commitment to fiduciary excellence into business results.

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ActiFi Quiz: True or False

Using the workflow functions of a CRM boosts productivity.

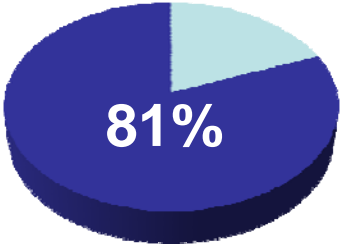
True False

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Did you know ...

Percent of Advisors Who Have Utilized CRM Workflow and Have Increased Productivity



81%

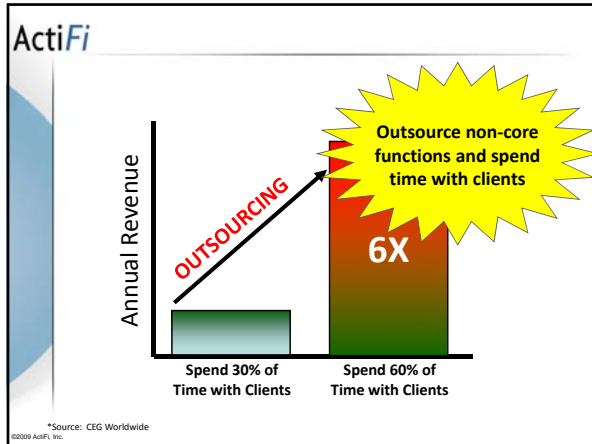
2008 FPA Technology Survey
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ActiFi Quiz: True or False

Firms that outsource non-core tasks and thus spend more time with clients earn 3X the amount of firms that don't.

True False

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ActiFi Quiz: True or False

Translating a commitment to fiduciary excellence into a format that clients truly understand is easy.

True

False

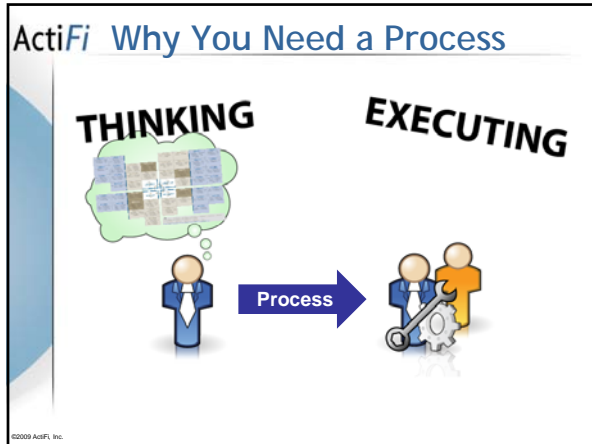
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Fiduciary Process Test

Can you and your staff effectively explain and demonstrate why your commitment to fiduciary excellence sets you apart?

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Let's Get Started

ActiFi Business Objective

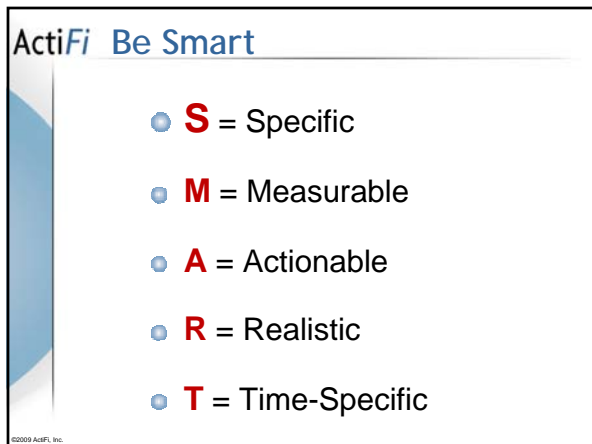
STEP 1:
Define Business Objectives

- For RIAs, this is one of **seven** objectives.

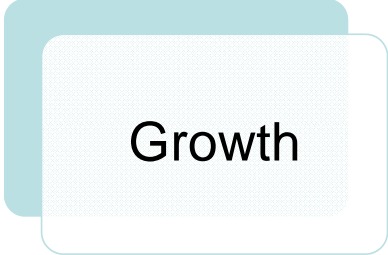
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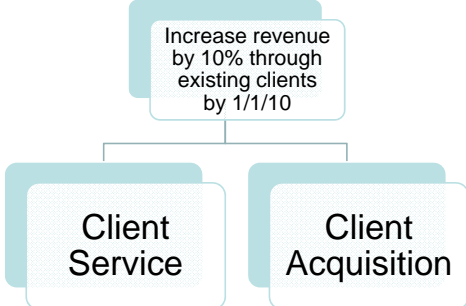


Business Objective



Growth

Convert to SMART Goal



Increase revenue by 10% through existing clients by 1/1/10

Client Service

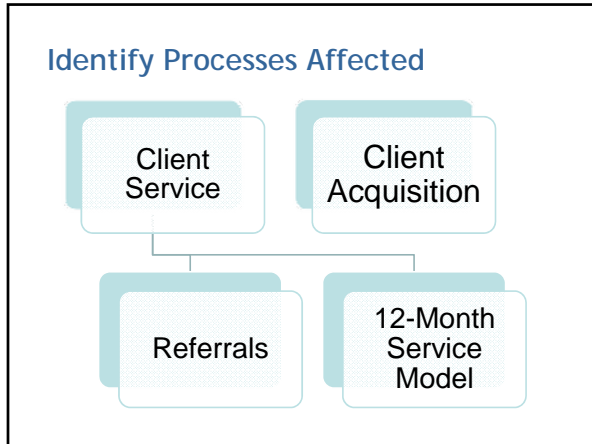
Client Acquisition

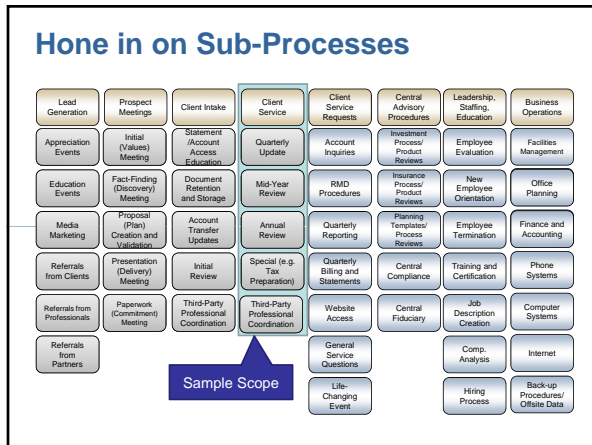
ActiFi Validate Goals

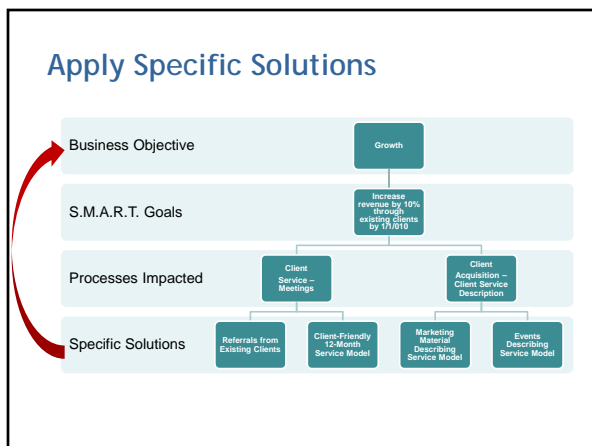
STEP 2:
Define Scope

- Where do you need to focus to obtain results?

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ActiFi Define the End Result

To drive results, we will need the following:

- Clear internal documentation for advisors and staff (process maps, instructions, templates)
- Technical configuration and implementation on your CRM system
- Adoption and utilization of process improvements (desktop change management, training, mentoring)
- Client-facing material that clearly relays the process to them (placemats, literature)

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ActiFi Validate Goals

STEP 3: Validate Your Approach

- Are your goals S.M.A.R.T.?

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ActiFi Validate Goals

CBA Tool

Increase AUM from Existing Clients

What is your potential opportunity to capture more assets from existing clients? If you had a strategy to identify, document, and pursue opportunities to capture more assets from each client, how much more AUM could you add to your practice annually from existing clients?

Inputs

Revenue Rate on AUM: 0.9%

How much additional AUM could you get from clients per year? \$1,000,000

Year 1 Revenue Increase	\$9,000
Revenue from additional AUM gained in Year 1	
Year 2 Revenue Increase	\$18,000
Revenue from additional AUM gained in Year 2 and 3	
Year 3 Revenue Increase	\$27,000
Revenue from additional AUM gained in Years 1, 2, and 3	
Three-Year Cumulative Revenue Increase	\$54,000

How much would you be willing to invest?

You need to make an investment in order to realize the benefit calculated above. The investment includes expenditures of both money and time, so when estimating the amount you would be willing to spend, include the value of time invested by various members of the practice.

How much are you willing to invest in total over three years? \$24,000

Three-Year Cumulative Total Return on Investment: 125%

Are the expected benefit and return on investment attractive enough to pursue this detailed business objective?

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ActiFi Define Requirements

STEP 4:

Translate Your Existing Process Into Your Ideal

- What is being done today versus what *should* we be doing?

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ActiFi Treat This Like a Paid Engagement

Your time is valuable; use it wisely.

- Create a clear agenda with an objective
- Maximize involvement – include stakeholders at the right time in the process
- Time-box specific topics and differentiate between dialogues and discussions
- Assign specific roles (facilitator, process capture resource, subject matter expert) for each session

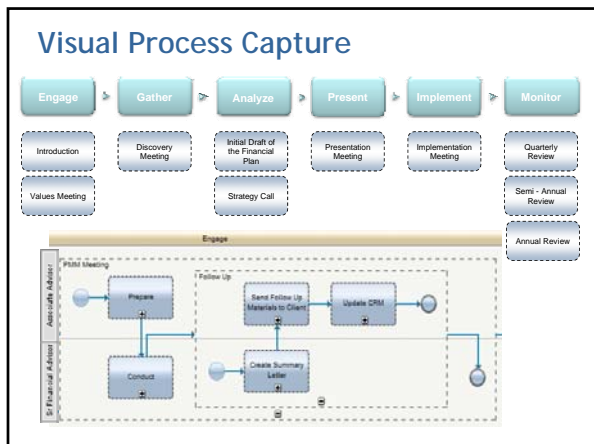
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Outline Process Capture

ActiFi Advisors Client Service Meeting

1. On the 15th of the month prior to the annual client service meeting – Assistant
 - a. Schedule meeting
 - b. Send confirmation email reminder or meeting invitation to the client (if they use email and would opt for this type of communication)
 - c. Create an appointment on Advisor and Analyst calendar with a reminder to be sent 24 hours prior to the meeting
2. Two weeks prior to meeting – Analyst
 - a. Quantitative review –Practice 4.1
 - i. Check tracker
 - ii. Run performance reports
 - b. Analyze performance reports –Practice 4.1
 - i. Validate relevance of performance report information
 - ii. Execute procedures for "watch" and "sell" lists
 - iii. Create rebalancing recommendation, if necessary
 - c. Qualitative review of managers –Practice 4.2, 4.3, 4.4
 - i. Do research, including obtaining procedure certifications
 - ii. Evaluate qualitative factors affecting money managers
 - iii. Review policies on best execution, soft dollars, proxy voting
 - iv. Review manager fees; check that they can be paid and are reasonable
 - d. Prepare draft proposal
 - e. Send draft proposal to advisor for review

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Technology Workflow Requirements

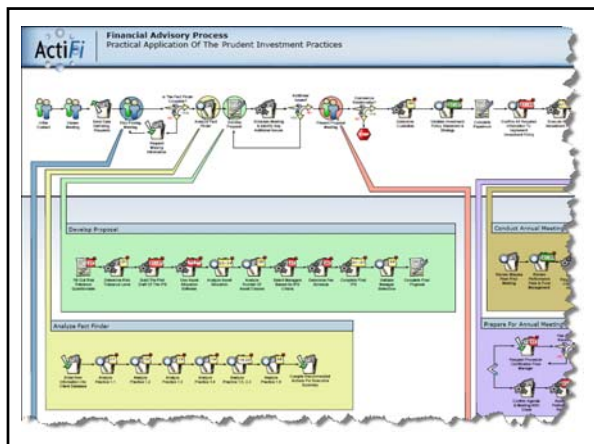
#	Task Name	Activity Name	Start Date	Relative Due Date	Dependency	Assignment
1	Create Agenda	Create default agenda	Event Date	-14		CSR
2	Create Agenda	Set up new folder in LMS	Event Date	-14		CSR
3	Create Agenda	Only perform if new folders are needed Gather financial data Statements, insurance policies, tax returns, etc...	Event Date	-14		CSR
4	Print Plan Summary and IPS	Print Financial Plan Summary	Event Date	-14		CSR
5	Print Plan Summary and IPS	Print IPS	Event Date	-14		CSR
6	Print Plan Summary and IPS	Create version for Client	Event Date	-14		CSR
7	Print Plan Summary and IPS	Put on company letterhead Distribute to Advisor and Associate	Event Date	-14		CSR

ActiFi Implement

STEP 5:
Implement the Process

- Marketing Material
- Client Education Material
- Technology Configuration

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Prudent Investment Practice Report
Harold T. Jones Family - as of Mar 20, 2008

Practice A-1.1 The Investment Advisor demonstrates awareness of fiduciary duties and responsibilities	Practice SA-1.2 Assess investment management are in accordance with law, trust documents, IRS	Practice SA-1.3 Assess duties and responsibilities are defined, documented, acknowledged	Practice SA-2.1 Identify investment time horizon	Practice SA-2.2 Identify risk level
Practice SA-1.4 Assess Advisor is not involved in self-dealing	Practice SA-1.5 Assess Agreements are in writing and in accordance with fiduciary standards	Practice SA-2.3 Identify expected, modified returns to meet objectives	Practice SA-2.4 Select asset classes, consistent with risk, return, time horizon	Practice SA-2.5 Verify Selected asset classes satisfy implementation and monitoring constraints
Practice SA-1.6 Non-relevant or not applicable	ORGANIZE	FORMALIZE	Practice SA-2.6 Create Investment Policy Statement (IPS)	Practice SA-2.7 Define IPS strategies where applicable and Practice IPS
Practice SA-4.1 Report on investment performance	MONITOR	IMPLEMENT	Practice SA-3.1 Validate due diligence procedures for implementation	Practice SA-3.2 Follow Safe Harbor provisions (when elected)
Practice SA-4.2 Review qualitative/organizational changes of investment decision makers	Practice SA-4.3 Review policies for best practices, self-dealing, proxy voting	Practice SA-3.2 Follow Safe Harbor provisions (when elected)	Practice SA-3.3 Choose investment vehicles, appropriate to portfolio size	



ActiFi Validate

STEP 6:

Ensure Everyone Knows What Success Looks Like

- Define use cases that must be successful before staff roll-out

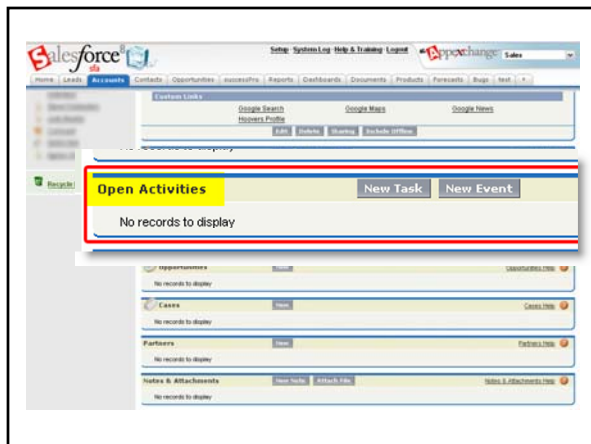
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ActiFi Validate

An example 'use case'

- I asked my assistant (*who started last week*) to schedule an annual review meeting with Harold T. Jones
- We need to ensure that fiduciary best practices are followed and documented

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[Edit](#) | [Del](#) Annual Review Meeting

Activity History

Action	Subject
Edit Del	Client Service - Review meeting documents
Edit Del	Client Service - Assess Fees for Services to Client
Edit Del	Client Service - Performance Report Analysis
Edit Del	Client Service - Prepare Draft Proposal
Edit Del	Client Service - Qualitative Review of Managers
Edit Del	Client Service - Quantitative Review of Portfolio
Edit Del	Client Service - Create Agenda
Edit Del	Client Service - Print Plan Summary and IPS

Priority Assigned To: Spencer Segal

Activity History

Last Modified	Date	Time
#	2/4/2009	1:05 PM
	2/4/2009	1:05 PM
	2/4/2009	1:05 PM
	2/4/2009	1:05 PM
	2/4/2009	1:05 PM
	2/4/2009	12:57 PM
	2/4/2009	12:57 PM

ActiFi In This Example ...

- What percentage of your time was spent on high value-add client-facing activities versus preparing materials for the meeting?
- Was your staff able to execute on the process with little to no help from you?
- Did the materials you brought to the meeting deepen your relationship with the client or was it just more 'stuff' that kept you from deepening your relationship?

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ActiFi Plan for Success

STEP 7:
Plan to Succeed

- How do I make sure another great idea from a conference doesn't go unimplemented?

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ActiFi Plan for Success

- Differentiate between a great idea and a realistic milestone
- Perform an acid test on each milestone – if it doesn't align to a tangible benefit, why are you doing it?
- If a task cannot be assigned to one person, it is not a task

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ActiFi Plan for Success

For the owners of each task ...

- **A** = do they have the **ability**?
- **C** = are they **competent**?
- **T** = do they have the **time**?
- **I** = are roles clearly **identified**?
- **F** = is this core to their **focus**?
- **I** = are they **incented**?

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ActiFi Plan for Success

Task	Duration	Hours per week	Name	A.C. (Ability) (Competence)	T.I. (Time) (Identified Roles)	F.I. (Focus) (Incented)
Configure Workflow on CRM	1 week	15 hours	Phil	Yes	Yes	No
Create training one-pagers	1 day	5 hours	Suzie	Yes	Yes	No
Conduct Group Training	2 days	10 hours	Phil	No	Yes	No
Conduct 1-on-1 mentoring	8 weeks	5 hours	Jim	No	No	No
Create CRM Reports	1 week	20 hours	Phil	Yes	Yes	Yes
Validate Reports	4 weeks	5 hours	Ed	No	No	No

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ActiFi Manage the Change

STEP 8:
Manage Change

- Change is difficult – each person's journey will be unique


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ActiFi Manage the Change

- Balance amount of change versus maintaining client-service levels
- Acknowledge the difference between training and coaching
- Conduct regular status meetings
- Maintain constant communication and provide recognition of success and learnings
- Assign clear tactical ownership then delegate effectively

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Bottom Line...



- Will
- Skill
- Time

PEOPLE

ActiFi Monitor

STEP 9: Monitor Results

- Do projected benefits match reality?
- What 'tweaks' need to be made to ensure continued success?

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ActiFi Monitor

Quarterly Goal Tracking

	Goals	FY2008	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	2008 YTD	Comments
Revenue	\$ 2,500,000	\$ 2,200,000	\$ 450,000	\$ 500,000			\$ 1,950,000	Tracking to meet goal
AIM	\$ 275,000,000	\$ 265,000,000	\$ 65,000,000	\$ 70,000,000			\$ 235,000,000	Tracking to meet goal due to market decline
Active Clients	300	300	300	300			300	
Professionals	1.0	1.0	1.0	1.0			1.0	
Total Staff	10.0	10.0	10.0	10.0			10.0	Lower cost staff workload, with training to fill gaps
Revenue Per Professional	\$ 250,000	\$ 440,000	\$ 150,000	\$ 167,000			\$ 202,400	
Revenue Per Employee	\$ 250,000	\$ 900,000	\$ 150,000	\$ 1,000,000			\$ 900,000	Tracking to meet goal due to more than 90% staff due to fact that employees hired in 1st Qtr
Revenue Per Client	\$ 833.33	\$ 1,333.33	\$ 2,000	\$ 2,000			\$ 2,000	
Non Payroll Expense	10.0%	20.0%	10.0%	20.0%			20.0%	Tracking to meet goal primarily due to higher professional services due to market
Clients Per Professional	3.0	3.0	3.0	3.0			3.0	
Clients Per Employee	3.0	3.0	3.0	3.0			3.0	Would still be looking after a fully staffed
AIM Per Client	\$ 916.67	\$ 883.33	\$ 883.33	\$ 916.67			\$ 916.67	Market decline in buying AIM per client
Client Retention %	90.0%	92.0%	90.0%	90.0%			90.0%	On track to meet the year target or prior
Age # of Client Accounts per Year (in Quarter)	4.0	3.2	4.0	4.0			4.0	Tracking with target goal for the year. Market decline would lead more than 40% of clients to be aged 4 years or older
New AIM from Existing Clients	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000			\$ 10,000,000	Tracking to meet goal
New AIM from New Clients	\$ 10,000,000	\$ 1,000,000	\$ 2,700,000	\$ 2,800,000			\$ 5,500,000	Tracking to meet goal

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ActiFi Recap

Improving your business is an iterative process

- Identify business drivers
- Create S.M.A.R.T. Goals
- Identify specific solutions
- Hone your focus
- Define the end result
- Validate your goals
- Capture and enhance processes
- Define success at a tactical level
- Plan for success
- Train and manage change
- Measure and monitor
- Go the next process

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