



Quarterly MI Analysis Workbook

Turn Information Into Insight

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The Three Key Ratios

Questions To Consider:

1/ What is your gross profit margin? Is it at least 60%

2/ If not, why not? Do you pay away too much of your revenue to the sales people within your business?

3/ If you need to adjust your direct expenses to rectify your gross profit margin you might want to consider the total value proposition provided to the advisers within your firm.
For example:

Who provides the leads for the advisers (the business or the adviser themselves)?

What skills training do you provide to help advisers be more effective?

Who does the paraplanning and administration work for the advisers in your firm?

Could this be altered to give you more control over quality and to streamline the back office processes? You don't really want advisers who are all doing it their own way – you'll never build a solid business process from that.

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4/ What is your overhead percentage? Is it around 35%?

5/ If it is too high what is this telling you? (Perhaps you are not operating efficiently) How high is it? Are you close to 35% or well above the recommended threshold? It's not uncommon for firms to be well above that level.

6/ What would need to change to rectify this issue? (Often this will need some expert input to resolve. Cutting costs is not always an easy fix, as other areas of quality and service may then suffer). But don't kid yourself either that doing another £100K of revenue will fix the issue. It might, but it also might not.

7/ What is your net profit margin? Is it at an acceptable level (25%)?

8/ If not, where is the squeeze coming from, gross margin too low, overhead too high, or both?

9/ What might you do about fixing the issue?

10/ How would it feel if you could get to a 25% net profit margin and be paid a market salary for your role within the business?

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The Productivity Ratios

Issues To Consider:

1/ Firstly, advisers doing too many things (not focused solely on seeing clients).

Questions to think about:

Is there enough support in place?

Are you using paraplanners?

(But be careful your overhead doesn't get out of control). There may be situations where you have to invest in some support in the back office to get the productivity you need from your advisers. In the short term that might have a negative impact on your overhead percentage, but that's business; you need to invest first to get paid back second.

2/ Secondly, owner advisers might also be caught up in a range of 'management stuff'

Questions to think about:

Should you have an operations manager to handle a lot of this 'management stuff' ?

How much more productive might you become as the business owner with this support in place?

Typically owners need to start thinking about getting an operations manager once they are turning over more than £600,000 per year.

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3/ Thirdly, not enough lead flow – a marketing issue.

Some questions to think about:

What's your website like?

Do you produce a weekly blog?

What is your social media strategy?

Do you run client events (seminars or social events)?

Are all of these things tied up nicely together to give you leverage on your efforts?

Do you know who you are marketing to (segmentation)?

And what your target market's top 5 issues are?

Does your proposition and your marketing material continually speak to the client's top 5 issues?

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4/ Finally, take a look at your pricing. Some questions to think about:

Is your pricing strategy correct?

Are you charging 1% pa for ongoing service? (or a similar premium priced flat fee or retainer?)

Are you worth it?

Can you demonstrate it in cash?

Do you just manage money for clients or do you engage with their lifestyle goals?

Is cashflow modelling and good client questioning at the core of your proposition?

Do you charge an up-front planning fee? If not, why not?

Is it an adviser skills issue?

What are you charging for implementation? Is it too high or low?

Do you have too many clients?

Have you retained too many low level clients?

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5/Look at your staffing and structure.

Question: Do you sack people to cut costs?

Answer: Sometimes. Knowing when to take what action is the tricky part of being in business.

The starting point is rarely just sacking a bunch of people. You need to get to grips with the underlying issues. Typically it's things like:

- Identifying the jobs that need doing within the business.
- Eliminating any jobs that don't need doing, first & foremost; (just get rid of them).
- Deciding which staff are best equipped (or not) to do the jobs that need doing.
- Writing new job descriptions for each staff member so they know what they are expected to do.
- Providing training and development for the staff that have the ability to do the role you need done.
- Having the difficult conversations with those staff members that can't do what you need them to do and replacing them if necessary with new staff that can.
- Using technology more effectively – for example, investing some money into training your staff on your existing systems. Most firms use a fraction of the technology they are already paying for.
- Sending your team off for some basic training in the Microsoft programmes (Word, Excel and Power Point) so that these tools are used to best effect. Some back office staff don't even know how to set up a Word template for example. This is basic stuff that can make everyone more efficient across the business.
- Introducing paraplanning to support the advisory team. Here I am referring to real paraplanning; a person you hire for this role is CFP AND Chartered and better than you at preparing technical and strategic recommendations.
- Are fact finders filled out 100% at the start of every job and the data loaded into your back office system? Incomplete data at the start is the cause of 90% of problems later in the process in my opinion. Fix things at the start and you resolve many of your inefficiency problems.

Review this list and identify any of these issues that you think need addressing in your business. Below you can add anything that comes up onto your Issues List for your next Level 10 Meeting.

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6/ Adviser Skills. Some questions to consider:

Do they get any referrals from clients at all?

If so, how many per month? An adviser that doesn't generate client referrals is probably not blowing his/her clients away. This is fixable and might revolve around skills at the first meeting with new clients, or managing the client experience as clients move through from initial contact to implementation.

It might also be an issue that the review process for the adviser (or more probably the business itself) is not lighting the fire of clients when they come in for review.

Is it too investment focused?

Do you use cashflow modelling to show people that everything is going to be alright?

Do you have deeper discussions about clients' real life goals?

Is this done in a sophisticated and skilled way, or is it a bit amateurish?

Have you evaluated this by attending (or filming, or recording) a review meeting with any of your advisers?

Do you show clients the value you have added in cash at each annual review?

Do you actually add any value in cash? If you don't, could you?

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The Client Selection Ratios

Issues To Consider:

1/ Client quality.

Questions to think about:

How would you rate the quality of your client base overall? Why?

How would you rate your (or your teams) knowledge/skills/experience?

Is your client bank worthy of your knowledge/skills/experience?

What do your top 10 clients look like?

How does that compare to the rest of your client base?

Could you build a business around similar clients to your top 10? Why? Why not?

What would you have to excel at to attract more of the clients you desire?

What would happen if you let the bottom 10% of clients go?

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What about the bottom 30% or 50% of clients. What would happen if they were no longer in your business?

What would happen to your client quality ratios?

What loss of revenue would occur if you let them go?

How many new 'on-target' clients would you need to find to replace that revenue?