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The Right Ally

Elite Advisor

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To grow their firms significantly,most advisors need to learn to move beyond their own existing affluent clients and acquire additional high-net-worth investors. Forming strategic alliances with the right professional advisors—such as CPAs and attorneys—is one of the best avenues for accomplishing that goal.

Unfortunately, these strategic alliances are an area where many advisors often get tripped up and frustrated. They think that it isn't worth their time and effort. With that in mind, here is some advice on how to handle strategic alliances.

The Key To Success

Unlike a casual or informal referral arrangement, a strategic alliance is a business development agreement designed to motivate each partner to help the other one grow. This agreement creates economic glue that holds together a mutually beneficial partnership. The agreement provides for an ongoing relationship, and it sets the stage for a long-term and profitable relationship for both parties.

The heart of the agreement is providing a set of benefits to the other professional—most often in the form of additional services or more specialized expertise—that result in additional revenue. While you can develop strategic alliances with any professional who shares your target market, alliances with CPAs and attorneys tend to be the most powerful.

We know for a fact that strategic alliances are an important resource for the top financial advisors in the industry today. When CEG Worldwide surveyed nearly 2,100 advisors last year, we discovered that more than 80% of wealth managers see referrals from other professionals as a very important source of new clients. In sharp contrast, just over a quarter of investment generalists see such referrals as a very important source of new business.

As I've pointed out in previous columns, true wealth managers earn $881,000 on average annually, versus just $279,000 for their investment generalist peers. That fact alone tells us how important it is to pay attention to the habits and practices of today's wealth managers.

Furthermore, referrals from other professionals are also extremely important to the success of wealth managers. Again, more than 80% of wealth managers told us that their five best new clients were referrals from other professionals—almost five times the number whose top five new clients came through the next-best method: client referrals.

Meeting the Challenge

That said, many financial advisors find it difficult to form effective strategic alliances with other professionals. Frustrated advisors often tell me that they have put in significant time and effort in this area, with limited results. The problem typically is that the strategic alliance partner does not feel highly motivated to work with the financial advisor, and therefore he or she doesn't refer many (or in some cases, any) of his or her clients.

The solution to this problem is to be clear and compelling in how you communicate the benefits of working together to a potential strategic alliance partner. You've got to spell out what's in it for them when they send their clients your way. This can be done by focusing on three benefits:

Money.
Not surprisingly, one of the best ways is to focus on the financial advantages of forming an alliance. It's common in revenue-sharing agreements between advisors and CPAs for the accountant to get a 25% share of the gross revenues that are generated through the agreement. So assume that a CPA partner sends you a client with $1 million in assets. If you charge a 1% fee, the CPA will receive $2,500—without any increase in cost or effort on his or her part.

Sit down with the CPA with a legal pad or spreadsheet and carefully go over the financial potential that he or she could realize by referring clients to you regularly. Together, draw up a brief strategic action plan that estimates first-year revenues, as well as projections for revenue growth over the next two to three years (using reasonable assumptions for the clients' growth in assets under management).

Indirect incentives.
Attorneys generally do not enter into revenue-sharing agreements. In cases such as these, you can still show the potential partner that there are tangible benefits to working with you. On a foundational level, you can highlight the desirable aspects of working with someone who shares the same level of integrity and devotion to client service that they possess.

You can also show how the two of you can collaborate to solve the potential partner's clients' broad range of challenges. Effectively, you can offer to help the attorney build his or her business by providing reciprocal referrals as a member of your expert team. In addition, another form of economic glue is your ability to offer practice management support. Many attorneys know that there are untapped opportunities to work with the affluent, and they are interested in finding assistance that allows them to take advantage of these opportunities.

Your consulting process.
Another highly effective approach is to show strategic alliance partners how well you will take care of their clients if they send them your way for a second opinion. Demonstrate the value that you offer via the wealth management consulting process that you provide to your existing clients.

Explain to partners in detail how you work with clients to design an advanced plan that addresses the full spectrum of their wealth management needs and how you consistently deliver superior service. Better yet, encourage the CPA or attorney to go through your process personally and experience its value firsthand.

In particular, show the potential partner how you work with clients in a discovery process to uncover their deepest values and goals and what is truly important in their lives. Any professional may be leery of sending their clients to an advisor who may be a hard-core salesperson.

By showing that your initial experience with a prospective client is all about having a conversation, not selling something, the alliance partner will feel much more comfortable making referrals. In fact, make it clear that all you are looking for when the alliance partner sends you a client is to engage that client in a discovery process—nothing more.

In addition, you can make a great deal of headway with a potential partner by suggesting a pilot program in which you work together with a specific number of select clients. Ask the professional to send you a few clients, and you can collectively decide whether to move forward based on how that experience goes. This pilot program becomes a relatively low-risk venture for both of you.

Additional Alliance Tips

As you explore alliances, keep in mind that you need to choose your potential partners carefully. You should work only with professionals who are entrepreneurial about their businesses and are looking to develop their firms in meaningful ways.

Too often, CPAs and attorneys are content to let clients come to them and are happy to do the typical assignments (such as tax returns).

That approach works for many business owners, of course, but professionals who aren't interested in actively pursuing strong business growth do not make good alliance partners for advisors who are.

If you can see that a potential partner does not share your entrepreneurial spirit—which should be obvious after only a meeting or two—you should simply move on to the next opportunity. A partnership that does not work in the beginning will not be any better a year from now. As with your client base, you don't need 10 average strategic alliances-you need one or two ideal ones. So don't be afraid to say no when the partnership is not in your best interest.

Yet another important but often overlooked tactic: If you are meeting with an attorney, "overdress and overdrive." It may seem shallow, but appearances do matter, especially when you are dealing with a high-end lawyer who typically serves wealthy clients. So be sure to look your best. By looking the part, you just might increase your probability of success.

In the end, there is no question that strategic alliances can have a tremendous impact on your business. Indeed, the best advisors in the industry rely on them to succeed. By overcoming some of the challenges and presenting a clear, compelling value proposition, you'll maximize the likelihood of making alliances happen—and your efforts will pay off for years to come.

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