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Better Than Average

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Financials

- Annual net income: $318,000
- Total assets under advisement: $330 million

Clients

- Have minimum asset size for accepting new clients: 41.1%
- Institute a minimum fee requirement for clients: 37.2%
- Regularly ask clients for referrals: 16.4%
- Regularly ask clients for additional assets to manage: 10.9%

Business planning

- Have developed formal marketing plans: 34%
- Have formal business plans in place: 18.6%
- Have a formal succession plan: 9.2%

Source: CEG Worldwide, 2007; 2,094 advisors across all channels: RIAs, independent B-D reps and wirehouse brokers.

With the holidays over and a new year upon us, now is an ideal time to take stock of your business and set some key goals for the next 12 months and beyond. Although business planning should always be at the front of your mind, the start of a new year can motivate advisors to achieve a new level of success.

One of the smartest ways to plan success is to recognize where you stand today relative to other advisors throughout the industry. By benchmarking yourself against your peers, you'll be able to see your overall position-and identify those areas of your practice where you are lagging, on par with the rest of the industry and maybe even leading the pack. Armed with that information, you can start formulating strategies to enhance those areas of your practice where you are weak and build on areas of existing strength.

Defining Average

To benchmark, you learn everything you can about where you are today as a starting point for all of your future decisions. With that in mind, here's a look at how financial advisors overall measure up in several key practice management metrics. The data comes from a 2007 survey done by my firm, CEG Worldwide, which included 2,094 financial advisors from across all advisory channels-registered investment advisors, independent broker-dealer representatives and stockbrokers at wirehouses.

Financials. Consider one of the most important metrics of any advisory business: net income. While success can be defined in lots of ways, at the end of the day it comes down to whether or not you make a healthy enough profit to stay in business. The typical advisor earns an annual net income of $318,000, and the average advisor's income grew by 8.7% in 2006. Ask yourself how you compare. Are you on par with the industry, or are you earning a significantly higher or lower income than your peers? We also examined advisors' assets under administration, which totaled $330 million on average.

Client acceptance. Many advisors generate success by setting minimum asset cutoffs for clients. This strategy allows them to focus on serving only affluent investors. Slightly more than 40% of advisors studied have a minimum asset size for accepting new clients. A similar percentage of advisors (37.2%) institute a minimum fee requirement for their clients.

Minimum asset requirements typically mean advisors serve fewer clients, but those they do serve are more profitable. Overall, the advisors we surveyed have 258 clients on average. Take a look at how many clients you serve and ask yourself: Am I working with an ideal number of clients, or could I actually be more successful by serving a smaller client base using effective minimums?

Client relationship management. It's much easier to garner business from existing clients than it is to attract new clients to your door-assuming your clients are happy with you. Yet only 16.4% of surveyed advisors regularly ask their clients for referrals, while just 10.9% of respondents regularly ask for additional assets to manage. This could be because advisors aren't quite sure how happy their clients are with them. Consider that a mere 2.7% of advisors conduct annual client satisfaction surveys, and just 6.8% say they have a formal way to assess client satisfaction. Ask yourself this fundamental question: Do I know how happy my clients are with me, and am I fully leveraging them to help me grow my practice?

Relationships with top clients. Your best clients are obviously an excellent resource to tap when trying to build and enhance your business. We found that advisors on average control 86.2% of their top clients' investable assets. What's more, advisors we surveyed typically received $6.2 million in additional assets from their top 20 clients in 2006, while generating 1.3 referrals on average from each of these clients.

Practice management and business development. Just over one-third (34%) of respondents have developed formal marketing plans for their businesses. Significantly fewer (18.6%) have formal business plans in place-and even fewer have a formal succession plan (just 9.2%). These numbers suggest that many advisors simply aren't focusing enough on their businesses. How well are you planning and preparing for the growth (and possibly the eventual sale or transfer of) your practice?

Raising the Bar

Upon reviewing the results and characteristics of the overall advisor community, you might find that you are behind the curve in some areas of importance to you-perhaps, for example, your net income is lagging. Of course, you might discover that you are excelling in areas relative to your peers. If you have a succession plan in place, for example, you are way ahead of the vast majority of advisors out there. Or you might find yourself on par with the rest of the industry. If you're like many advisors I've met, your business is actually a mix of these three outcomes, which means that no matter how successful you currently are, you can make improvements that will have a positive impact.

Keep in mind that these numbers are the averages for the advisors surveyed. As such, they should serve as a baseline for you to make comparisons. But they should also help motivate you to raise the bar for your business. Let's face it: No one gets into a career in the financial services business to be "average" or "just okay." Therefore, your top goal-the one governing all others-should be to leapfrog the averages and bring yourself to the level of those elite advisors who are enjoying the greatest possible business success.

That means thinking big. Truly meaningful change that will have a great impact on your planning practice won't come from making little shifts or tweaks. The key to making significant progress as an advisor and a business owner is to set audacious goals that take you out of your comfort zone. One successful advisor I work with, for example, has set a combined goal of doubling his income while also tripling the amount of time he takes off from work. Achieving those goals will obviously require creative thinking and developing his firm in a way that allows his entire organization to work smarter instead of simply working harder. This is where the various efficiency strategies for running an advisory practice that I've discussed in previous columns will come into play.

On a similar note, another advisor I know is developing a plan for tripling his firm's assets over the next three years. That will require a major commitment to developing referrals, creating partnerships with outside advisors and providing a truly exceptional level of client service.

Other advisors have broader goals that go beyond financials. These goals may include creating a firm that is bigger than one principal so it survives beyond the owner's lifetime or achieving a higher quality of life that isn't consumed by work.

The upshot: These advisors don't think small, and neither should you. They are laying the groundwork to create a seismic level of change at their firms in order to achieve goals that are hugely important to them-both on a professional and a personal level. As you move forward, remember to think big about what you really want. By refusing to settle for being average, you'll put yourself in the best possible position to create meaningful success in all aspects of your life and career.

John J. Bowen Jr. is founder and CEO of CEG Worldwide, a global training, research and consulting firm dedicated to helping advisors and the institutions that serve them become more successful.