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# Journal of Wealth Management Consulting

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## The Year Ahead— and Beyond

By **John J. Bowen Jr.** ■ Founder and CEO, CEG Worldwide



It's been an extraordinarily challenging year, and many advisors have been forced to spend all their time responding to the fallout from the financial crisis. But it's important that we not lose sight of our goals during these turbulent times. With 2009

almost upon us, it's a great opportunity to set some key long-term objectives for your business.

As always, the lessons we have learned from today's top wealth managers provide an excellent map showing which direction you should be taking your business. Those lessons include:

■ **Slim down your client base.** Advisors often can't believe that reducing the number of clients they serve can lead to greater income. Truth is,

wealth managers (who serve just 101.1 clients on average, versus 269.3 for other advisors) succeed largely *because* they have shorter client lists. A smaller stable of clients allows wealth managers to spend more time cultivating the client relationship, resulting in better client service and, in turn, greater client retention and word-of-mouth marketing.

■ **Focus on clients, not the markets.**

Many advisors spend the majority of their time following the markets and  
*continues on page 3*

# First Word

By John J. Bowen Jr.



## Journal of Wealth Management Consulting

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The advisors we work with are often struck by one particular revelation: One of the most important conversations you can have with clients is about their values. By asking your clients to identify their core values, you uncover exactly where your focus

should be in assisting them, and you help them to clarify their direction and what they want to achieve in life.

Values are exceptionally powerful because they have a profound impact on every important decision we make, from what we choose to do for a living to whom we marry to how we spend our free time. For example, most parents would tell you that they value their children above almost everything else. As a result, they want to protect them, educate them well and set them onto a smooth path in life. One of the things many of these parents want to do is build an adequate college fund. This is a common goal known to most advisors. But underlying that goal is the fundamental value of loving their children.

A values-based discussion always begins with the question, "What's important to you about money?" If the client answers, "Security," you would then ask, "What is important to you about security?" If the client responds, "Knowing that I can take care of my family," you would then ask, "What is important to you about taking care of your family?"

You would continue uncovering the

client's values in this way until you think you have heard the final answer. You would then ask, "Is there anything more important to you than (the last value mentioned)?" If the client says yes, then ask, "What is more important?" and continue with the questioning format. Once the client answers no, you will have likely uncovered his or her single most important value.

To help ensure that you get to the core values, it's useful to address three levels during any values conversation:

- **Level one.** This is about the basic self, including issues such as security and financial freedom.
- **Level two.** This is about family, friends and community.
- **Level three.** This is about the higher self, including issues of faith, destiny and reasons for being.

By tapping into your clients' deepest values, you'll truly know and understand your clients. The end result: You'll be able to consistently give them the on-target wealth management recommendations and solutions that they need to lead fulfilling lives.

## Types of Formal Systems in Place: Wealth Managers vs. Investment Generalists

	WEALTH MANAGERS	INVESTMENT GENERALISTS
Engaging in a formal interview process with clients	85.5%	58.7%
Providing clients with formal plans	81.9%	37.0%
Providing clients with write-ups evaluating their situations	76.8%	35.1%

N = 2,094 financial advisors. Source: CEG Worldwide, 2007.

*continued from page 1*

making buy and sell decisions based on what they see. Wealth managers, by contrast, devote most of their efforts to cultivating strong bonds with clients, seeking to earn their trust by working closely with them over time and learning their individual needs, resources and aspirations—financial and otherwise. Previous industry research has proven how much more important this client focus is. When a group of clients who left their advisors were asked why, a full 87 percent cited a “poor service relationship.” A mere 13 percent cited “investment performance.”

■ **Create systems for success.** Wealth managers understand the importance of using formal systems to ensure high-quality service. For example, wealth managers are far more likely than typical advisors to engage in formal interviews with new clients and provide formal plans and write-ups evaluating clients’ situations (see the chart above).

■ **Partner up.** Working with professionals such as accountants and attorneys is a highly effective way to grow your business—especially in a tough environment. More than 80 percent of wealth managers say their five best new clients came via referrals from other professionals—almost five times the number who say their best clients came through the next-best method,

client referrals. That finding matches up with earlier industry research showing that 54.2 percent of affluent individuals found their advisors through referrals from accountants or attorneys, compared to 30.1 percent who found their advisors through client referrals.

■ **Take care of your business.** Whether you own your practice or work for a firm, you are a businessperson and an entrepreneur. That means you need to run your business like a business. Great entrepreneurship for advisors boils down to clarity of purpose (identifying and serving the right clients), focus (creating a compelling value proposition) and execution (systematically delivering the client experience promised by your value proposition). You also must have the support mechanisms (such as the right team and technology) that will enable you to consistently do what you love—help clients achieve their financial goals profitably.

Of course, your own goals may differ from the ones outlined above. But regardless of your specific situation, remember this: Don’t get so caught up in the day-to-day that you forget why you got into this business in the first place. It’s highly important to think strategically about your business and set ambitious goals that will motivate you to push your practice to a higher level of success—in 2009 and beyond.

## About Wealth Management

Leading financial advisors are driven by a singular goal: to build highly successful businesses by delivering world-class service to their clients. Wealth management is the one business model that will help you accomplish that objective.

Wealth managers leverage three key steps to deliver tremendous value to their affluent clients’ financial lives:

- Using a consultative process to establish close client relationships
- Offering customized solutions to fit each individual’s needs
- Delivering these solutions in close consultation with clients and their other professional advisors

## About CEG Worldwide

CEG Worldwide’s founder, John J. Bowen Jr., first identified the key factors that contribute to a financial advisor’s success while working with elite advisors. Recognizing that this knowledge would have substantial impact on advisors, their clients and the industry itself, Bowen and his partners launched CEG Worldwide.

The firm’s mission is to provide financial advisors and the financial institutions that serve them with insights, strategies and tools to significantly grow their businesses and better meet their clients’ needs. CEG Worldwide is uniquely positioned to combine leading empirical research expertise with pragmatic, proven business experience. The company offers practical guidance that works for elite financial advisors as well as those advisors aspiring to elite status.

# A Wealthy Foundation

Grant Blindbury specializes in retirement planning for investors seeking wealth management and asset-class strategies



Despite his youth, Blindbury's been working in the investment advisory industry since 2003, managing the assets of affluent individuals and pension plans.



Grant Blindbury is a young man with an “old head.” Unlike many who have worked in the financial industry for decades, the 29-year-old Blindbury has put together a wealth management practice—FMB Wealth Management in Westlake

Village, California—in a relatively short time period. “I guess it comes down to my commitment to trying to find industry best practices and then applying them as efficiently as possible,” says Blindbury.

Blindbury's been working in the investment advisory industry since 2003, managing the assets of affluent individuals and pension plans. He earned his degree in business and economics at the University of California, Los Angeles and then, in 2007, earned his CERTIFIED FINANCIAL PLANNER™ certification. Drawn to the client-centric model that he says fee-based advisory services provide, he joined forces with Fields Financial Associates, Inc., and later partnered with the firm's founders to create FMB Wealth Management.

The firm was founded on the principle that an effective investment portfolio directly reflects the investor's primary economic objectives. “We are

a fee-based company specializing in long-term investment strategy and dynamic portfolio design, and we strive to maximize the probability of achieving all that's important to our clients,” says Blindbury. “FMB Wealth Management provides financial and investment counseling for a limited number of affluent families and small-business owners. We take new clients only when we have determined that we can add substantial value to those clients' financial situations.”

Using passive, low-cost strategies for investments and a consultative and collaborative wealth management approach, FMB Wealth Management's principals identify the specific challenges clients face in reaching their goals and provide an investment plan to close the gaps. Clients are offered customized choices and solutions designed to reach their goals and reinforce their values. These solutions are developed and delivered

in close consultation with the clients as well as their other trusted advisors in a highly collaborative environment.

Blindbury is especially attracted to retirement-oriented strategies and enjoys working with successful clients who understand the need for planning when it comes to their retirements. “As a private wealth strategist, I specialize in positioning my clients for a successful retirement by coordinating their most important financial affairs,” he says. “I do that by using a consultative process to identify their current financial situations and challenges, and then I work with a team of experts to design solutions to help them achieve their most important goals.”

Blindbury adds: “I’ve always valued preparation and planning when approaching any life skill. My interest and enjoyment in working with retirees and especially those planning for retirement comes in part from an appreciation of the hard work that must go into the process and our ability to do the work in an efficient and productive way.”

He points out, however, that hard work isn’t enough when it comes to meeting life’s challenges. It also takes the accumulation of intelligently selected tools that allow the individual or financial professional to properly pursue and realize success. For Blindbury, success in the financial field is best achieved through the application of wealth management strategies that include asset-class allocation.

Blindbury is also a believer in the concept of “social capital” — the idea that improperly aligned wealth potentially deprives the individual not only of assets, but also of tangential wealth elements. Example: wealth that is locked up in a few large investments

and subject to considerable volatility. In such instances, resources that may benefit family, friends or community are not being fully leveraged. The damage is not confined to the assets themselves but has corollary effects related to time value as well, since the longer the wealth is not properly situated, the less impact it can have on realizing its owner’s values and the values of those close to the owner.

Blindbury points out that it’s important to consider every aspect of retirement planning—social as well as financial. Retirees he works with are successful people, and they want to ensure that their good fortune extends to their families, friends and communities. Wealth management, which emphasizes the alignment of wealth with the values of the investor, is an ideal methodology that considers the totality of the retirement, not just discreet or narrow financial aspects. “Wealth management is truly a lifestyle approach in which the person’s total circumstances are taken into account. It is a great approach when one contemplates retirement, because it almost forces you to take into account every part of your lifestyle and life needs,” he says.

Blindbury adds that one of the most valuable aspects of his emphasis on wealth management has been working with California-based CEG Worldwide, the leading advisory coaching firm. He credits the firm with expanding his horizons in terms of how wealth management is applied. “There are so many aspects to wealth management, and CEG Worldwide is very helpful in organizing and presenting this information to advisors,” he says. “My clients and I have benefited tremendously from CEG Worldwide’s concepts as well as their presentation.”

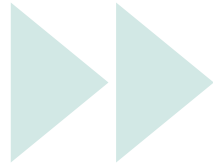
**“As a private wealth strategist, I specialize in positioning my clients for a successful retirement by coordinating their most important financial affairs.”**

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# The Power of Wealth Management

By **Frederick M. Hanish** ■ Senior Managing Principal, CEG Worldwide



The effort and investment required to become a wealth manager can be substantial. But shifting to wealth management now is one of the best things you can do for your business. Why? Because wealth management gives you opportunities you can't

get from any other approach in this volatile environment. For example:

■ **A higher income.** Wealth management entails offering a broad range of services and products to clients. It also gives you the opportunity to offer many different but interrelated services and products to the same client. Both enhance your income and profit potential.

The compensation arrangements of wealth management can also serve to increase your income. Compensation can come from four main areas: advisory fees for planning, case design and implementation; commissions on the sale of some investments and life insurance; asset-based fees for money management or investment consulting; and performance fees linked to particular products or the success of a particular strategy. Regardless

of the methods you choose, the increased flexibility can result in a higher level of profitability.

The extent of your higher income potential as a wealth manager can be seen in the results of a nationwide study by CEG Worldwide of more than 2,000 registered investment advisors, independent broker-dealer representatives and wirehouse brokers. The study characterized the advisors as either investment generalists or wealth managers. As the chart on page 7 shows, the wealth managers enjoy substantially higher net incomes. Their average net income is \$881,000, compared to just \$279,000 for the investment generalists.

■ **A greater ability to compete for wealthy clients.** Using the wealth management model is one of the best ways to attract the affluent. One study of individuals with

between \$500,000 and \$5 million in liquid assets found that, overwhelmingly, they prefer working with wealth managers over other types of financial advisors. A full 77.1 percent expressed a preference for working with a wealth manager, while 18.8 percent would rather work with a financial advisor or planner, and just 4.1 percent prefer an investment advisor or planner.

The preference for working with wealth managers is especially strong among those with greater investable assets. While 68.7 percent of those with investable assets between \$500,000 and \$1 million would rather work with a wealth manager, a full 82.2 percent of those with investable assets between \$2 million and \$6 million would prefer working with a wealth manager.

- **Stronger client loyalty.** Client loyalty is a key driver of your success. Loyal clients are much less likely to take their business elsewhere, and they are much more inclined to provide you with both qualified referrals and additional assets to manage.

The strong consultative and values-driven framework of wealth management makes it highly effective in building client loyalty, because it positions the entire financial advisor–client relationship as an ongoing partnership over time. Consider that three-quarters (75 percent) of those affluent clients identified as “loyal” consider their financial advisors to be wealth managers. But only 18.2 percent of “satisfied” affluent clients and 7.4 percent of



“moderately satisfied” affluent clients consider their financial advisors to be wealth managers.

- **Additional opportunities to serve clients.** Through the highly consultative wealth management and advanced planning processes, wealth managers are well positioned to uncover the broad range of needs that any given affluent client brings to the table. Working with their networks of professional advisors, wealth managers can arrange for the products and services that will meet those needs. And as clients’ financial lives continue to evolve, there are ongoing opportunities to meet the new challenges that arise.

Clearly, wealth management is the most effective business model available today for financial advisors to serve their affluent clients. By adopting wealth management now, you’ll put yourself in the best position possible to enjoy huge success.

**Wealth management solves the most critical challenges you face.**

# Accounting for Wealth

Michael Tate's entrepreneurial focus has resulted in a \$100 million wealth management business



By emphasizing entrepreneurial values within a wealth management context, Michael Tate, founder of TPBS

Capital Management in Sacramento, California, is helping to build a successful firm that has expanded far beyond its original accountancy roots.

Tate's own values are entrepreneurial in nature, inherited from his father, who founded the accounting firm that is the parent of TPBS Capital Management. Tate's father came from a blue-collar family and placed great emphasis on entrepreneurial focus in order to provide greater personal and professional freedom. Michael Tate has carried that perspective even further, not only building his own business but working with others who have similar values. Thus his firm focuses on serving successful businesspeople, as well as other accounting firms, by offering comprehensive wealth management—a process that ties investors' wealth together with their values to help accomplish key goals and realize dreams.

In addition to building a wealth management effort, Tate has sought to find partners who share his vision of transitioning from accounting to

wealth management. "We understand the entrepreneurial impulse and the personal and business growth that it supports," Tate explains. "It's one reason we have been able to communicate not only with clients, but also with founders and practitioners at other CPA firms."

With \$100 million under management after only a few years' time, the approach is obviously working. The success of the wealth management emphasis is allowing the firm to increasingly reach out to local and national CPA firms that Tate has targeted for mutual business expansion. Tate has a success story to offer CPAs: His own firm's growth is now coming entirely from the wealth management side. The partners at the parent firm, including his father, have actually stopped taking on new clients so that Tate can approach other CPA firms without any hint of competitive conflicts of interest.

Tate believes that CPA firms in general have to migrate to other alternatives as accounting is pressured by two separate trends. The first is the general unpopularity of the tax code, which is constantly giving rise to alternative suggestions, from fair taxes to flat taxes and beyond. The second, and more important and immediate trend, is electronic tax preparation using canned software. As software expands and becomes more capable, the need for individual taxpayers to employ accountants for tax purposes will diminish.

According to Tate, accountants are sitting on top of terrific assets in the relationships they have with numerous clients. But they need to unlock these relationships with wealth management and other services above and beyond accounting. Tate's passion for financial services also helps him visualize a different kind of mix between accounting and investment management. "I was always interested in the larger aspect of financial services," he explains. "Even as a young man I knew that the specificity of accounting could be more resource-rich with other services."

That knowledge drove Tate to earn his degree in finance and economics at Saint Mary's College of California. He then worked at an investment firm before returning to his accounting roots and eventually ending up back in Sacramento with his father's firm. "My father's impulse was never with accounting itself, but with the ability to help clients," he says. "When I came to work for the firm, I saw different ways to help. After a while I knew that wealth management would be a key for us."

In 2000, Tate earned the professional credential of certified public accountant. In 2005, he received

the Personal Financial Specialist (PFS) designation awarded by the American Institute of Certified Public Accountants Specialization Accreditation Board to those CPAs who have demonstrated their competence and experience in providing tax, estate and financial planning services. He decided to focus exclusively on wealth management when a potential client expressed reservations about placing funds with him because of a fear that Tate would be unavailable during the busy tax season. "That was when I walked into the partners' offices and told them I wanted to concentrate on financial services full time," Tate recalls. "I was willing to give up my accounting practice to do so, and I did."

With his expanded focus on nonaccounting issues, Tate's client base and assets grew quickly. Today, the company's investment philosophy is derived from the tenets of modern portfolio theory, focusing on building individual client portfolios that maximize return for a given level of risk. The firm uses leading asset-class fund manager Dimensional Fund Advisors for its investment solutions.

It was the people at Dimensional who introduced Tate to the California-based wealth management coaching firm CEG Worldwide. "CEG Worldwide's support has been most valuable to us as we've made the leap from accounting to a larger base of services," Tate says. "They are truly a leader in conceptualizing the advantages of the wealth management approach and in helping you integrate it into your current business base. We recommend them to our partners and in general would recommend them to anyone who wants to make a transition into the larger arena of wealth management."

**Tate has a success story to offer CPAs: His own firm's growth is now coming entirely from the wealth management side.**

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# The Value of a High-Performance Team

By **Steve Saenz** ■ Senior Managing Principal, CEG Worldwide



The team of people you surround yourself with—and how you work with those people—is a huge driver

of your eventual success or failure. That's the case in any environment, but it's especially true today.

A great team can be instrumental in your efforts to

gain new clients and assets, and to retain existing clients, during the current economic slump.

Almost without exception, the industry's top wealth managers function as part of what we call High-Performance Teams (HPTs).

There are five primary components of a High-Performance Team:

**1. Mutual influence and trust.** More than anything else, mutual influence and trust set HPTs apart from ordinary teams. Mutual influence is two-way influence among all team members, including the owner or team leader. On other teams, team members compete with one another for influence because they see things as a zero-sum game. The goal of High-Performance Team members is to build a system of mutual influence in which everyone is highly valued.

Mutual influence begins with reflective listening—that is,

showing others you've understood them. Explicitly letting others know that you've heard and understood them is a great way to build trust. Similarly, recognizing that you have a dominant mode of communication—such as being very persuasive—allows you to vary how you communicate to match the situation at hand. If you always use the same mode, it's hard for others to know that you've really heard and understood them.

As for trust, truth telling on all levels is the HPT's norm. Trust also arises naturally when there is congruence among team members—when team members consistently do what they say and say what they'll do. Congruence issues show up on both the micro and macro levels. On the micro level, an incongruent act might be a team member saying she is really happy with the results of a meeting, but with a scowl on her face. Other team members will read

this as emotional tension and wonder what she's really feeling. On the macro level, other team members will sense unspoken disagreements, making difficulties even harder to address. It's far better—far more congruent—for team members to be explicit about what's going on and to talk about it respectfully and openly. A final element that leads to trust is a genuine interest in people.

**2. Membership.** Membership is about more than being on a team; it's about feeling that you belong. The ideal recruitment process for a team helps members-to-be feel that they belong from the time they start interviewing. This results in team members who not only feel that they fit in, but are happy about being there. HPTs also have healthy ways for individuals to leave the team. With other teams, leaving the team can create shame or awkwardness. Even when an HPT needs to fire a team member, it does so in a respectful way, with clear communication that honors everyone's feelings.

**3. Common vision, values and goals.** HPT members share common vision, values and goals. Usually, the team's leader or leaders will formulate these, but occasionally the team uses a more democratic process. When all team members get at least some say, they are more likely to truly embrace the final result. Write down your vision, values and goals in just a couple of pages, not a 30-page document. You also should have a simple version, an "elevator speech," that you can use

frequently.

These things should evolve over time, because fresh and fine-tuned goals lead to better long-term team performance. For similar motivational reasons, the vision, values and goals should have inspirational but achievable components that involve learning, stretching and growing.

**4. High standards of excellence.** High standards of excellence help you create your desired outcomes, ensure world-class client service and prevent errors. By embracing high standards of excellence, HPTs create a structure and a standard of service that satisfies clients and keeps them happy in the long run. When errors do occur, the team learns from them.

**5. Leveraging of group power and intelligence.** HPTs are able to fully leverage group power and intelligence. They create synergy—an effect that is greater than the sum of the team members' individual talents, skills and qualities. This leveraging enables HPTs to produce better results across the board, be much more enjoyable, attract the best talent and attract the most affluent clients.

An HPT is a vital advantage to have, especially during challenging times. A truly committed and exceptionally performing team can vault your business to the next level—enabling you to make more money, enjoy yourself more and serve your clients better. Next month, we'll show you how to create a High-Performance Team at your firm.

**HPTs create resilient and robust wealth management practices that consistently provide clients with exceptional service.**

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# Breaking Through

*Breaking Through is an intensive one-year coaching program focused on the essential strategies and key tactics required to successfully attract, win, service and retain the private affluent client. Breaking Through provides you with exactly what you need to implement key strategies and tactics and join the ranks of these elite advisors.*

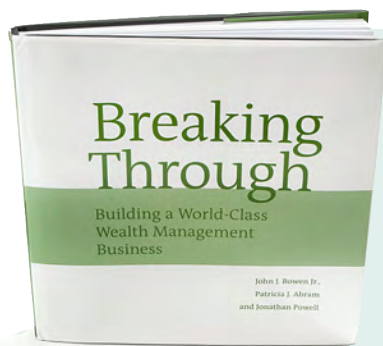
The program's 16 powerful tactics help advisors find more of the high-net-worth individuals and families they want to work with and assist them in building a growing and very profitable practice with loyal clients. Advisors will learn about the affluent and how to position themselves as experts. CEG Worldwide will show advisors how to gain referrals from current clients, despite today's market volatility, using time-tested scripts, and explain how to form strategic alliances with lawyers and CPAs to dramatically grow their businesses profitably, while serving their clients well.

## Advisors will also learn how to:

- Profile their ideal clients—those whom they can serve best and most profitably
- Position themselves as experts for their niche markets of ideal affluent clients
- Build strategic alliances with key professionals in order to create an endless stream of referrals for prequalified affluent prospects

**Of course, advisors aren't the only ones who can benefit. Financial institutions that serve advisors can also take advantage of Breaking Through. For example, they will find:**

- More productive advisors, because of better training and coaching, with proven results
- Greater advisor loyalty and retention, because of increased satisfaction
- Easier recruitment drives, because advisors will know they're joining an institution that helps them be more successful



## Breaking Through: Building a World-Class Wealth Management Business

**By John J. Bowen Jr., Patricia J. Abram and Jonathan Powell**

Even advisors who are not in a CEG Worldwide coaching program can take advantage of the firm's advice, thanks to its recently published book. Included are chapters on attracting affluent clients, managing a practice as a business and building maximum equity. The book

clearly describes CEG Worldwide's Consultative Client Management Process, designed to foster productive, long-term relationships.

Throughout the book, there are charts and graphs, so readers can take advantage of CEG Worldwide's research. In addition, real-world success stories show how advisors who have followed the CEG Worldwide program have prospered.

**The book is available through [Amazon.com](https://www.amazon.com).**