



STEER YOUR FIRM WITH A BUSINESS PLAN

A business plan outlines the stepping stones to the realization of a business owner's vision. While the basic business plan for a financial services firm has some similarities to the business plans used by manufacturing or retail companies, it also has some unique characteristics that set it apart from plans for other types of businesses. Among these are the need to keep track of activities that lead to sales and the ability to change markets without having to significantly change products.

IN addition, the nature of the financial services industry involves certain distinct factors that impact planning. These factors include:

- In the financial service industry product is almost never in short supply.
- Transportation does not affect distribution, so issues such as constantly rising gas prices do not affect financial service firms as directly or as greatly as other businesses.
- No need for warehousing of products.
- The laws governing the industry do not change easily or quickly.
- Compliance issues in the financial service industry must be kept in mind at every point in the process of finding and developing and maintaining clients.

Because of these factors, business plans for financial services firms usually do not need to be updated more than once a year, a far cry from the constant revision required in fields such as



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high tech, where rapidly emerging technology and a constant stream of new competitors make frequent updating of business plans a must. Of course that doesn't mean you don't refer to your business plan constantly and tweak it as needed to reflect internal and external changes affecting your operation. But because of the factors mentioned above, such updating is usually a simple, easy process.

In the corporate world, the "C Level" refers to the various Chiefs—Chief Executive Officer; Chief Operating Officer; Chief Marketing Officer, etc. The proverbial "buck" stops at the "C Level." Each Chief

is fully responsible for holding up their end of the business. The same is true in your sole proprietorship or even in a partnership. It's important for financial representatives to think of themselves as business owners first and practitioners second. Your business must make a profit and acquire new clients and new skills. No excuses. A well-thought-out business plan is a key tool that will help you stay on track toward achieving your business and income goals.

Your business plan should provide an overview of your business, describe your marketing effort and your client base, discuss your relationship

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with vendor companies, define your revenue requirements, and set forth how you're going to measure success. Finally, it should include projected income and expense statements. Here's a look at what each of these sections should contain:

Business Overview

- A. Summarize your vision into one paragraph. This should be a general overview of your business' vision and should include the Mission Statement of your firm. The Mission Statement is to be shared with your clients while the business vision is for your use within the firm
- B. What products or services will you sell and to whom will you sell them? How will you sell them? Will your firm be a fee-based company or a commission-based company? What process will you use to gather information from clients and turn that information into recommendations?
- C. Forecast any changes in structure. Will you add new staff this year? What new technology will you bring to the firm? How will this affect the day-to-day operations?
- D. Define success for the period of time to be measured. Is it new customers, gross revenue, net revenue, profits? How will you keep track?

Marketing

- A. What products will you sell? Will you be an independent operator or will you be part of a larger marketing firm?
- B. How will you segment your market? Is the market you wish to work in large enough in your geographic area? How will you get new clients? Will you use seminars, referrals, direct mail, and e-mail marketing? What is the budget for marketing and what systems

do you have in place to determine the return on investment you will make for marketing?

- C. How do you define an ideal client?
- D. What image will you project? Will it be a high level image with the best stationery and business cards and full-color brochures or will it be more middle of the road?

Client Management

- A. How will you deal with the day-to-day management and servicing of clients? Will you provide service at a local level or will you outsource it?
- B. Will you use a client management system that is local or Web-based?
- C. How many clients will you have? How many can you manage? What do you do with the clients that don't grow with you?

Vendor Companies

- A. What will your long-term relationship be with the vendor companies? Are you going to be independent? Will you be a career agent?
- B. Is your marketing plan aligned with the vendor companies, i.e., if you wish to sell "wrap accounts" does the Broker Dealer have a strong product? The same question applies to risk-based products. Does the company[s] you wish to deal with have strong products for your market?

Revenue Requirements

- A. How much revenue is needed to pay all the expenses and have sufficient profit left over to meet your personal needs and goals? The following steps are a quick way of determining how much new revenue you will need to generate annually and what you will have to do to get it:

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- a. Add your profit goals and expenses to determine **total** revenue required.
- b. Subtract from the total revenue required, the recurring revenue from renewals and fees along with the estimated new revenue in commissions and fees from **existing** clients.
- c. $a - b =$ Required **new** revenue from **new** clients.
- d. Determine the average new revenue brought into the firm when a new client is acquired.
- e. Divide (c) by (d) to get the number of new clients that must be acquired in that year.

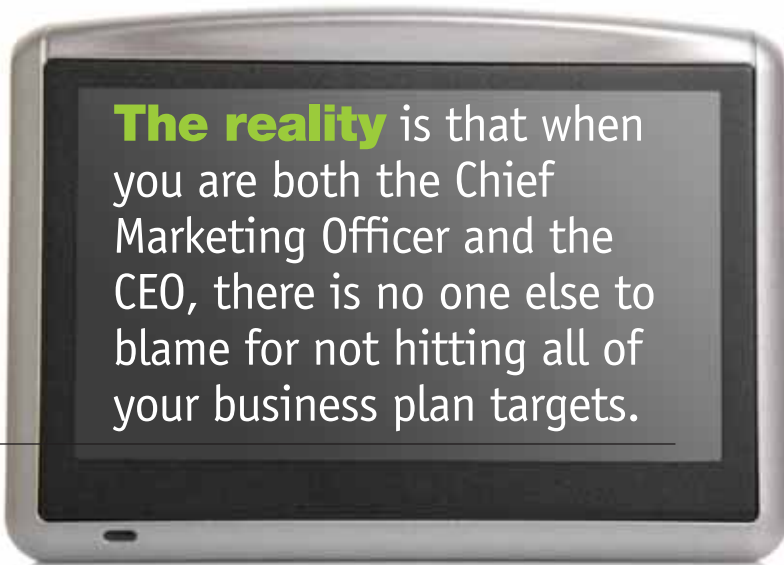
Here is a sample of how the Income and Expense Planning portion of your business plan might look:

INCOME AND EXPENSE PLANNING

Income desired:	\$1,000,000
Plus Expenses:	\$ 300,000
Total Revenue Required:	\$1,300,000
Less Recurring Revenue:	(\$ 300,000)
Less New Revenue From Existing Clients:	(\$ 400,000)
New Revenue From New Clients Required:	\$ 600,000
Average New Revenue From New Client:	\$ 15,000
New Clients Required:	40
Goal:	1 New Client Per Week
Must have target:	4 New Clients Per Month*

*Clients acquired in the last two months of the year will not generally generate revenue in that same year.

Continued on page 24



The reality is that when you are both the Chief Marketing Officer and the CEO, there is no one else to blame for not hitting all of your business plan targets.

Continued from page 21

Measurement Tools


Now that you know what you have to generate in terms of revenue, it's time to turn the goals into an action plan and to put an accounting system in place to measure the results.

- A. "Count Weekly, But Account Monthly"—Weekly activity goals should be established. However, vacations and holidays must be taken into consideration as to whether or not the established goals will be met. **"Should be met weekly but must be met monthly"** is the key. Include goals for all of these items:
 - a. Activity Goals
 - b. Referral Goals
 - c. Miscellaneous Goals
- B. On the financial side, you'll want to measure:
 - a. Revenue
 - i. Total revenue required
 - ii. New commissions and fees from existing clients
 - iii. New revenue from new clients
 - b. Cash Flow
 - c. Expenses: Track all of the following: Salaries, travel & entertainment, P&C insurance, licenses, rent, taxes, health insurance, pension, legal & accounting fees, office supplies, stationery,

postage, advertising, utilities, depreciation, interest expense and miscellaneous. (See sample worksheet.)

- d. Sinking Funds: A very important yet easily overlooked account for small businesses. You should not spend all that you earn.

Don't make more of your business plan than you need to in order to hit your profit goals. Everyone in the firm must be aware of the activity goals, and incentive compensation for staff and other sales associates should be associated with the attainment of activity goals. You must be accountable to yourself for activity goals. The reality is that when you as the Chief Marketing Officer look in the mirror and report to you the

Chief Executive Officer; there is no one else to blame for not hitting all of your business plan targets. 



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SAMPLE EXPENSE STATEMENT WORKSHEET

Travel and entertainment	\$ _____
Salaries	\$ _____
Insurance	\$ _____
Licenses	\$ _____
Rent	\$ _____
Taxes	\$ _____
Health Insurance	\$ _____
Pension	\$ _____
Legal and Accounting Fees	\$ _____
Office Supplies	\$ _____
Stationery	\$ _____
Postage	\$ _____
Advertising	\$ _____
Utilities	\$ _____
Depreciation	\$ _____
Interest Expense	\$ _____
Travel and entertainment	\$ _____
Education	\$ _____
Miscellaneous	\$ _____
Total	\$ _____