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The Practice

Tools & Strategies for Wealth Managers

Fix My Practice

THE RIGHT STUFF

It takes some planning to identify and woo advisors who will be the right fit for a boutique advisory firm and broker/dealer.

Monroe Diefendorf Jr., the owner of a boutique broker/dealer and financial-advisory firm, wonders how to recruit a few more advisors who can work with the firm's high-net-worth clientele and follow his holistic wealth-management philosophy. For advice, we turned to Dan Moisand, president of the Financial Planning Association and a principal in Spraker Fitzgerald Mayo & Moisand, a financial advisory in Melbourne, Fla.; Stuart Silverman, president of Fusion Financial, an advisor network in Elmsford, N.Y.; and Dennis Gallant, president of Gallant Consulting, a Sherborn, Mass.-based financial-services consulting firm.

By **Anne Field**

Photograph by Curt Goodwin

THE SITUATION:

Four years ago, Diefendorf got fed up with his b/d and started his own. Capital Planning Associates in Locust Valley, N.Y., has about \$210 million in assets under management and a new b/d operation, and Diefendorf, 54, is thinking about expanding beyond the handful of advisors he has on staff. But that's a lot easier said than done. Diefendorf, whose great-grandfather started Diefendorf Capital in 1875, won't take just anyone, and he simply isn't sure how best to go about finding four or five advisors likely to meet his criteria.

Diefendorf started working in the firm when he was in high school. Back then, the company mostly sold insurance, and, he says, "I wrote my first insurance policy while I was still in school." In 1976, after getting a masters degree in insurance, he joined the business full-time. For the next decade and a half, Diefendorf's father built out the firm, expanding into the mutual fund business and employing 77 people in 10 offices.

But, Diefendorf knew he wanted to operate a different kind of business. His aim was to run a boutique firm specializing in financial planning with a small number of advisors. "Rather than having a lot of producers, I wanted fewer folks doing a larger amount of production," he says. In 1988, when his dad retired, he transferred the insurance side of the business, along with 36 brokers, to one of his branch managers and set out to turn the company into an investment firm for wealthy clients with \$5 million to \$20 million in net worth. Since then, his staff has fluctuated between 12 and 18 people. (It's now 15.)

In 1997, he added an RIA to the firm. A few years later, he developed his own planning philosophy, what he called the "3-dimensional approach to wealth management." It emphasizes the importance of including clients' personal lives and goals in the financial-planning process. He also creat-

ed his own professional curriculum, along with a new designation, the Certified 3 Dimensional Wealth Practitioner (C3DWP). (The firm's advisors need to complete seven of 15 online courses to get it.)

Diefendorf made another big move four years ago: He quit his b/d and started his own. One reason, he says, was that the former b/d wouldn't let him offer alternative investments, like hedge funds. Also, when he wanted to do a radio show, he was told he had to submit a written script eight weeks in advance. Finally, he felt the b/d relationship was hampering his ability to write a book.

Today, Diefendorf has three longtime advisors: One is a firm veteran who has been there since 1965; another has worked with the firm for 17 years; the other has been with him for five years. Recently, a newbie—his son-in-law and the person he hopes will eventually take over the firm—started working at the firm. Now, he's been thinking of adding a few more advisors—maybe as many as five. But how to find the right people—ones interested in adhering to his unique approach and able to handle very wealthy clients—is something Diefendorf hasn't figured out. He's wary of aggressive recruiting methods, like attending trade shows with slick brochures or advertising. "I'm not sure that going out to the masses is how to get to the people we want," he says. He considered a different approach—buying another RIA with \$174 million in assets under management. But decided the shop wasn't a good fit.

While Diefendorf says he'd love to recruit an established advisor with a big book of business, he figures he'll probably go the homegrown route, grooming a few good recruits to follow the 3-dimensional process. Says Diefendorf: "My concept is to find people with integrity who have the ability to become industry leaders one day."

THE ADVICE:

Dan Moisand:

I'm very impressed by the length of service his current employees have.

It speaks well of what a good environment the firm is to work in. It just doesn't happen very often. And I think he can use the people he already has to help spread the word in his recruiting efforts.

I would encourage him to be very specific about what it is he's looking for. His firm has a unique philosophy and it's important to articulate those ideas when talking about job opportunities. If he brings in someone who is a mismatch philosophically, it won't last very long. I think he should post what he's looking for on the FPA Web site. Also, he can contact the local FPA chapter and attend a meeting, especially if they have a CFP ethics course or symposium on the subject. There he can make an announcement that he's trying to recruit new advisors.

Of course, the best method for finding candidates is networking with fellow professionals as well as CPAs and attorneys and the like. He knows which people in his marketplace he has the most respect for. He needs to make it known to them that he's actively looking. He needs to make himself as visible as possible.

Perhaps his greatest challenge will be to remain patient. I haven't found a magic bullet providing a quick and easy way to find highly qualified people. It's a mix of patience and luck.

Stuart Silverman:

The recruiting environment today is as competitive as it has ever been, particularly in the space for high-end clients. These advisors are aggressively being courted by independents, RIAs and wirehouses. Before he starts recruiting, he needs to find a way to distinguish himself with his value package and the kind of support he can

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provide. This may be challenging for a small b/d that may not have the tools and technology that bigger competitors do.

In any case, traditional methods of recruiting—advertising, industry trade shows—are time-consuming and expensive. What's more, they won't attract the type of advisor he's trying to recruit. The best source of candidates, by far, will be his centers of influence. I would especially point to wholesalers and money-management firms that deal with top advisors. They might save him a lot of time, effort and money if they know the profile of the kind of advisor he wants.

The question is, does he look for inexperienced advisors or not? I think that training new people would be time-consuming and take years. More important, his high-end clients won't be satisfied with an inexperienced financial advisor. This clientele doesn't want to work with a newbie. On the other hand, if he's looking for

high-end advisors able to generate their own business, they will need more in terms of technology and payouts. He might look for someone in the middle: an advisor skilled at working with high-end clients, but who doesn't have a big book of business.

I would suggest he consider revisiting the idea of trying to do everything himself. He could partner with a larger b/d that would function as his back office, providing technology and tools, thus freeing him up. Many b/ds are more open to alternative investments and radio shows than they were a few years ago.

Silverman:

PEOPLE ARE LOOKING FOR LONG-TERM GROWTH, FOR A CHANCE TO PARTICIPATE IN THE FIRM'S GROWTH. THAT MEANS GETTING A PIECE OF THE PROFITS OR, PERHAPS, A PART OF THE BUSINESS.

Dennis Gallant:

I think he first has to decide what skills he is looking for in a recruit. He has to break it down. If your job is only client development, the more other hats you wear, the

Gallant:
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less productive you'll be. That's why a lot of firms are separating that task from financial planning. If you're looking for someone who's equally competent in both areas, that's going to be harder to find.

I've seen a few RIA firms go to wirehouses, looking for reps who are good at client development but may not have strong technical skills—advisors who are conversant in the language of financial planning but not fluent in it. This person could be a great marketer. And, for this kind of individual, it may make sense to be part of an RIA team. I find that a lot of good advisors who are looking for the next big move feel that being part of an RIA is the fastest way to become independent. And

it's the right time to seek them out, with turmoil at so many firms.

The big challenge in his recruiting efforts will be offering a real career path. People are looking for long-term growth, for a chance to participate in the firm's growth. That means getting a piece of the profits or, perhaps, a part of the business.

He also has to understand what his full capacity is. How big does he want to get? Recruits will want to know that. He needs to have a vision and to be able to explain it to candidates.

Finally, I wouldn't advise buying an RIA. I hear of some advisors doing that for asset growth. If he's looking to buy talent, that's a riskier thing to do. ●

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