



Berkshire

DIVIDEND STRATEGY

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"Casual Friday" Commentary

Casual Friday: Summer Guide... – June 4th, 2021

Summer is upon us -- traditionally a slower time for financial advisors. Perfect time to improve client relationships, your practice and yourself (or of course unwind given the stresses of this past year). Berkshire's guide to the summer...

Improving Client Relationships

Impending tax changes are on the horizon. One effective approach -- "I've been studying the proposed tax changes and how it may impact your financial plan." It's a simple PROACTIVE conversation yet will likely be very effective in letting the client know *you are considering the implications specific to them*. There are a handful of planning efforts to be considering at the moment:

- Charitable contributions
- Income planning to remain below top bracket
- Trust, ILIT and FLP planning
- Realizing gains before increase occurs

<https://www.financial-planning.com/news/the-many-question-marks-around-tax-planning>

These proposed changes are perfect opportunity to serve your top clients in a very thoughtful and proactive way -- Don't miss out on it.

Improving Your Practice -- Inventory Management

Advisors' books of business are just like a garage... If you don't spend time cleaning it up once in a while, you end up with a bunch of stuff - half of it, you have no use for. And crazy market moves last year exposed practice inefficiencies for advisors not managing inventory:

- "I had way too much inventory on the books to react quickly enough for all clients."
- "Too much non-discretionary on the books -- It slowed me down."
- "Inconsistent performance due to incorrect / irregular asset allocation."
- "I need to create more scalability while maintaining customization and satisfied clients."

“Too Much Inventory”

Almost every advisor ends up at the same inflection point in their career. “How the heck did I end up with so many tickers in my book of business?!” Some may argue having a thousand tickers in a book of business is “customization”, but it’s likely not adding strategic “value” to your clients and it’s likely not adding value to your practice. In fact, when this occurs, an advisor’s time and attention is often relegated to less impactful activities:

- “I have to re-study this fund or stock for my review because I’m not familiar with it”
- “How do I reallocate this position now to get this portfolio in line with my best thinking without hitting my client with huge cap gains taxes”
- “How do I create a broader and more consistent communication strategy with my clients when they’re all invested in slightly different ways”

Strict inventory management is one of the key focuses of top financial advisors. They create a limited number of investment plans for **all clients**, culminate their best ideas and they stick to it with unwavering consistency. The benefits? They always go to market (prospects and clients) with intimate knowledge of their investment process, their conviction resonates with the client and they build enormous efficiencies in their overall practice. The challenge? It’s like quitting a bad habit...you will “get to it later” as other pressing matters get in the way.

Another challenge? Sometimes, appointing a money manager means capital gains taxes as the manager makes wholesale changes. To ease that pain, Berkshire has a program where our PM will harvest gains over a two-year period - Call to discuss. We’ve helped a number of advisors think through the process and build out a plan for inventory management.

“Non-Discretionary / Advisor Traded” to Outside Managers?

The biggest hurdle in transitioning a practice from advisor stock picking to outside money manager: “How do I justify this fee and investment change to my clients?” Over time we’ve helped many advisors think through this strategic decision: Shoot me an email or call to talk through Berkshire's playbook.

Just as we see and use “specialists” for various issues/challenges in our lives, financial advisors can articulate the benefits of professional stock pickers to achieve better results and free up time to concentrate on bigger picture planning items. Advisor: “Instead of spending time deciding whether to buy Company A vs Company B or tech stocks vs. utility stocks, I will use that time to perform due diligence on a handful of money managers who do this all day, every day. We will likely achieve better results and I'll have more time to help solve your major priorities: retirement income, insurance and estate planning.” Remember: **When you solve big problems you typically increase your probability to land big assets.**

Some other common analogies to make your point?

- Would a Primary Care Physician perform open heart surgery, or would the patient be referred to a cardiac specialist?
- Would a general contractor put the roof on a home, or would he delegate to a best-in-class subcontractor?

Technology Assembly Line for Consistency, Scalability and Customization: "UMA Crusader"

The business model of being both a financial planner and a "stock picker" has become very difficult to scale in practice. Clients expect advisors to solve bigger issues in insurance, retirement, estate, executive compensation, income, asset allocation, total balance sheet and niche planning... *This is often the customization and attention clients are seeking.* Clients are finding less value in an advisor's ability to pick individual stocks and or individual funds to create "customization".

There's nothing wrong with saying - "Your investment strategy is built using a slight variation of the same investment strategies I use with all of my clients. They are my best and highest conviction ideas I could find available in the markets today."

The good news: As client expectations change and become more demanding, technology enhancements in UMA (unified managed account) has unleashed huge advisor productivity. Those deciding to adopt the structure in practice create vast efficiencies allowing time to add client value in ways far beyond portfolio management...

- Practice efficiency
 - Broad implementation of highest conviction ideas / asset allocations
 - Quick and efficient allocation changes across all accounts
 - Automated re-balancing
- Investment selection efficiency
 - Customization of broadly diversified asset allocation
 - Open architecture to hire best in breed for asset class
 - SMAs, Mutual Funds, ETFs and alternatives available in one account
- Reporting efficiency
 - Sleeve level performance to monitor performance of funds
 - Ongoing asset allocation monitoring
 - Overlay management

Improving Yourself

Jay Shetty the esteemed author of "Think Like a Monk" recently posted a podcast regarding relationship building -- He's a brilliant guy in so many ways and worth a listen:

<https://jayshetty.me/podcast/4-reasons-we-try-to-change-others-and-how-to-cultivate-tolerance-patience-compassion-instead/>

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