

# Advising the Financial Advisor

by Catherine Newton

**JFP:** Describe for our readers your practice and your advisory board.

**Dan Boyce:** We have six planners and ten support staff. We have a planning orientation in our practice plus asset management, and we work on a fee-and-commission basis.

We started our advisory board in 1996. The board has two members, both professionals. Initially we had two attorneys, one in town who knew our group and one out of town who had done some long-range business planning for us. The local attorney is still on the board, and the second member is the head of a business valuation firm.

**Cheryl Holland:** We are a comprehensive financial planning firm with three professionals and five support staff. The partners work with every client. Our advisory board is composed of three individuals, who rotate for a three-year commitment. One is almost always a referring professional, such as an attorney or CPA with whom we have a good, long-standing relationship. The second member is a client who represents the type of client whom we either have a lot of, or would like to have more of. The third member is typically someone who has business expertise in an area where we think the firm has a weakness. We meet twice a year over a long lunch.

**Jeannette Jones:** Our firm provides financial planning and money management services for individuals who are within

Mom's advice is always welcome, but sometimes a slightly more impartial opinion is called for. The solution could be an advisory board. We asked four planners what their advisory boards have done for them and what they would recommend to other planners who may be thinking of doing the same thing. Joining us were Daniel H. Boyce, CFP, senior partner and principal, Center for Financial Planning Inc., Southfield, Michigan; Cheryl R. Holland, CFP, president, Abacus Planning Group Inc., Columbia, South Carolina; Jeannette A. Jones, CPA, CFP, CLU, president, The Asset Advisory Group Inc., Glendale, Ohio; and Marcee Yager, CFP, managing partner, Sterling Wood Financial LLC, San Jose, California.

five years of retirement or retired. Generally, our clients are widows, widowers and divorced individuals—people who are living off of their portfolios. We have three advisors and two support staff.

I did not start an advisory board. Instead I joined an organization called the CEO Roundtable through our local chamber of commerce. Actually, there are 20 different roundtable groups. I submitted my résumé, was invited to an interview by one of the groups, and was asked to join. There are ten other business owners in this roundtable. I happen to be the only female in the group. It's composed of people who have companies with as many as 200 employees, down to our firm, which is the smallest in the group. There are professionals in the group as well as people who own sales and manufacturing businesses. We meet monthly. In addition, we

present our business plans to the group for critique at an annual retreat.

**Marcee Yager:** I have two partners. We formed our partnership two years ago, and started our client advisory board last year. In addition to the three partners, we have two CFP certificants, three support people and three administrative people. Just as Cheryl said, all clients are clients of the firm. Our primary thrust is holistic planning.

Our advisory board is composed of six clients, who each serve a minimum of one year. We meet four times a year.

I've also been involved in a second advisory board for the past six years. It's a group of five women who are the decision-makers in their businesses. In addition to myself, there's an owner of a tech firm directory, an attorney, a real estate broker and an individual who has a regional retail chain.



**Daniel H. Boyce, CFP**



**Cheryl R. Holland, CFP**



**Jeannette A. Jones, CPA,  
CFP, CLU**



**Marcee Yager, CFP**

**JFP: Why do you use an advisory board?**

**Yager:** My involvement with the advisory board composed of the business decision-makers has completely shaped my career path. They gave me the confidence and resources to move ahead, deal with the partnership and to handle aspects of business that I had never dealt with before.

The client advisory board, on the other hand, was established because the firm was looking for in-depth feedback on specific services or ideas that we had.

**JFP: Can you provide an example?**

**Yager:** When we first started, we scheduled workshops once a month for our clients. We did that for a while and found that essentially no one was coming to them. When we asked the board about it, they told us that here in the Silicon Valley, no one goes to anything unless it's absolutely required. Instead, they suggested that we develop tapes or CDs for clients to listen to in their cars.

The advisory board also has stopped us from doing a number of foolish things. At one point, for example, we were thinking that because we deal so much with clients' psychological issues, perhaps we should have them take a psychological test as part of the intake process, to help clients understand how they tick. We

asked our advisory board about it, and they completely slammed the idea. They strongly steered us away from that move, which was a good wake-up call for us.

**JFP: Besides running ideas past clients, what other functions can an advisory board serve?**

**Boyce:** We use our advisory board for business planning—what I would call big picture issues.

The three partners in our firm started out as a consortium about 15 years ago, but we very much operated our own independent practices. Then, in 1995, we did some long-range planning and quickly understood that we wanted to move together more as a firm. The advisory board has served as an outside, objective resource to help us deal with some of the thorny issues involved in making this transition and move us in the direction of being a true firm, rather than operating in our own individual spheres.

As an example, we had a couple of planners who were basically renting space from us. The advisory board recommended that we separate ourselves from these planners and focus on bringing in people who were in line with our firm's philosophy and who would help the firm grow over time. The board gave us very specific guidance on how to do this in a way that

would be fair to the independent planners by giving them a structure and time frame for leaving our offices—and help them feel comfortable doing so.

More recently, we've been working to create an equity model for the firm. Again, the advisory board has been very helpful in pointing us in the right direction.

**Jones:** I come from a background as a CPA with a large accounting firm. From there, I started my financial planning practice within an insurance company, because I didn't feel that I had the tenure to hang out my shingle as a sole proprietor. I paid rent to the G.A., and all the business issues such as location, payroll and support staff were taken care of for me.

When I incorporated in 1996 and became totally independent, I had to start paying attention to my firm as a business entity, especially as I brought in other planners. That's where the roundtable has really helped. They have forced me to pay attention to the business side of the practice and have provided me with the reality check I need.

We've made so many changes in the practice since I've been a member of the roundtable. We made the transition from fee and commission to fee-only. We terminated our relationship with a partner

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whom I had originally brought in when we incorporated. I don't think I would have had the guts to do that without the support of this panel of advisors. We also reduced our client base significantly and reduced our staff.

**JFP: And you attribute these changes to the advisory board?**

**Jones:** Definitely. I have a tendency to be much more focused on adding services to make things better and better for the client, without analyzing them first from a business perspective or to find out if clients really want the service.

**JFP: Cheryl, how about you?**

**Holland:** We view our advisory board as a forum to review our strategic planning in a specific area. For example, if we have a technology plan, we present the plan to them, and they provide us with feedback. If there's something in the plan that raises a flag for them, we will look into it further.

I see the board as supplementing my ability to be a good business owner. That touches on every issue: profitability, client service, quality of work and so on.

**JFP: Give an example of something the board recommended that has made a difference to your practice.**

**Holland:** We're adopting open-book management, which has made a tremendous difference in profitability and employee morale. The board has guided us through the process of setting up an open-book management system, including how to put parameters on the system so it will be successful both in the short term and the long term.

They've also helped us find employees, technology consultants and other experts when we've needed to solve various problems. And just the process of having to sit down and do our homework on a topic before we present it to the board has been very valuable. That discipline alone is worth the effort it takes to create and continue an advisory board.

**Boyce:** I second that thought. An advisory board produces accountability.

**Holland:** It's like creating your own coach.

**JFP: Are your clients aware that you have an advisory board?**

**Boyce:** No, because the board is purely for our own internal business planning.

**Holland:** Our clients know about the board. In fact, we have told them that if they have an issue with the firm and don't want to talk to us about it, they can talk to an advisory board member. We've never

had that happen, but the option is there, which I think is all to the good.

**Yager:** We haven't made our client advisory board public information yet, but we are considering doing so. We want to run it past the board first to see if it makes sense to them.

**JFP: How do you manage your advisory board to get the most out of it?**

**Boyce:** We have an agenda, with specific, focused topics that we want to cover. We do our homework prior to the meeting and send information to the board members ahead of time so that they can prepare, as well. The meeting starts at lunchtime and goes all afternoon. We meet three or four times a year.

We don't limit the topics only to "hard" business issues, either. In a group practice like ours, the personalities are the business. We have personal, as well as professional, goals, and the business plan needs to take those personal preferences and desires into account.

**Jones:** I agree. My advisory board roundtable has been a wonderful, impartial group of people with whom I can talk with about personality issues, as well as business issues.

When I joined the board, however, I was reluctant at first to share information. I thought that no one else had made the same stupid mistakes that I've made. But the more open I became with the group, the better feedback and help I got from it.

**JFP: Does your roundtable have rules for conducting a meeting?**

**Jones:** We meet once a month. Prior to the meeting, if a member has what we call an "A" issue that needs to be addressed, he or she lets the moderator know about it ahead of time. The facilitator passes that information along to the rest of the group

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—Marcee Yager, CFP

so that we have time to think about it and can come to the meeting with some concrete advice, suggestions, referrals, references and so on.

By an “A” issue, I mean something that is absolutely critical and needs to be addressed first and foremost. An example was when I was going through my decision to break up with the minority shareholder in my firm.

**JFP: How do you manage the time allotted for a meeting if several people have “A” issues?**

**Jones:** The meetings start at 7:30 a.m., and go until about 11:00. Some people don’t have critical issues, so they will pass, which allows us to spend more time on someone else’s problems. We make sure we get to everyone’s critical issue. We don’t sit there politely with our hands folded. It’s definitely a give-and-take. If someone is taking more time than the group thinks is fair, we don’t hesitate to let that person know.

**Yager:** In my advisory board composed of business decision-makers, we pay a fee to a facilitator who manages the agenda. The facilitator ensures that the people who really need special time—those with “A” issues, as Jeannette said—will get it that week.

We meet every other week for three hours. We can deal with a couple of “A” issues each time, plus some follow-up from past meetings and general catch-up.

**JFP: Is the structure of your client advisory board less formal?**

**Yager:** Actually, we stumbled a little when we started the client advisory board for exactly that reason. We were thinking of it as being a less formal process, but we soon realized that if we were going to honor our board members’ time, we needed to be very specific and consistent about what we wanted to accomplish, when, and how long it would take.

The other thing we stumbled over originally was how to handle changes in the board. In our first board, a member had to drop out almost immediately for family reasons, and we ended up having two meetings where we spent most of the time just going through introductions. We had to figure out a better way to do that.

Our solution was to tighten up on how we prepare new members to join the board. We are very specific about what our expectations are for them, the types of things the board deals with, how we conduct our meetings and so on. That way, new members are totally prepped when they walk into their first meeting. Malcolm, one of my partners, moderates the meetings and allots some time up front for introductions. Then we get started.

**JFP: Do you think it’s important to rotate members?**

**Boyce:** Not in our case. The board has been very stable, which we think is a posi-

tive because we don’t have to keep bringing new members up to speed.

**Yager:** I agree in terms of my advisory group of business decision-makers. The value is in keeping it the same. We will occasionally have new members, but continuity is the big plus there.

On the other hand, I like the idea of having a one-year stay, with a maximum of two years, for our client advisory board. One of the big surprises we’ve had with this board is how revealing the meetings are for members, in terms of better understanding our underlying vision and the scope of the services we offer. So we feel that there is a high value to rotating clients on a regular basis, because it gives more of them an opportunity to be up close with our firm.

**JFP: What qualities do you look for when choosing an advisory board member?**

**Holland:** Someone who will make it a priority. We’re not asking for a huge commitment, but I don’t want someone who just walks into the meeting, sits down, and leaves at the end of the session. I want someone who cares enough about what happens to us, for whatever reason, that they are willing to make it some kind of priority in their own busy lives.

We also look for a cross-section of skills and personality types, so that we are not replicas of one another. We want diversity in age, sex and background. We tend to prefer someone who has a business background, although that’s not essential. In addition, we do not have anyone on the advisory board who is not currently working, even though we have a number of non-working widows and retirees among our clients.

So, the two keys are whether they will commit their time, and if they bring a different voice to the voices that are already on the board or those who have come before them.

**Yager:** Cheryl's comment about preferring members who have a business background is interesting to me, because that's been one of our criteria thus far, and yet we are about to make a change. Although most of our clients are involved in business, a sizable minority has not been, and we're starting to feel that we need some kind of representation from that group. We are considering asking someone from that category to join the board in the next go-round.

**Boyce:** Because our advisory board deals with business planning aspects, we look for people who have a business acumen and have the background to understand the issues and opportunities faced by a small, boutique planning firm like ours. And they have to be good questioners. One of our advisors says that it's the easiest job in the world. All he has to do is sit back and ask questions. But they have to know the right questions to ask.

**Yager:** That's a wonderful way of putting it. If you get people on the board who are not willing to openly share their opinions—to be opinionated—you don't have a very good advisory board.

**JFP: Do members expect something in return for their time?**

**Boyce:** They don't expect a lot in return. They know our firm and respect it. The member who is the local attorney has received some estate planning business from us, so he has benefited from the relationship. He's also looking for insight into his own practice. He can translate some of the issues that we're dealing with to his own firm.

We do pay an honorarium to our advisory board, but it's certainly not commensurate with what they could get elsewhere.

**Jones:** I pay an annual fee to belong to my roundtable advisory group. Each member

also is responsible for the expenses of our annual retreat.

**Yager:** In terms of client advisory boards, if you describe it correctly, clients will see it as an honor to be asked to give input to their financial advisor. It confirms to them that the firm is concerned about what they think.

**Holland:** We pay an honorarium of \$150 a meeting. It's not very much, but I think it establishes the relationship as a business one.

**Yager:** What Cheryl just said about the money making it more of a business relationship ties in with the other advisory

board that I'm involved in, where we pay for a facilitator. The cost makes the board real for us. We know that we're wasting our money if we don't show up. We love being there—we've all said that it's one of the most significant things in our lives—but we wouldn't even be at that point if we hadn't put our money where our mouth is.

**JFP: What has surprised you most in using an advisory board?**

**Jones:** The number of changes that I've made in the practice since joining my roundtable advisory board. At one time, we had eight employees. Now we have five, and of those, only two are from the

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original group. I’m reluctant to change, so that’s been significant.

I’m also amazed at how much we’ve grown in terms of revenues. Even though we’re serving fewer clients, we’re doing a better job in revenues and our profits have grown significantly.

With the clients we have now, we can be very focused in our area of expertise and bring them more value-added service. We have time to be more proactive than in the past, when we seemed to be locked into the quarterly or semi-annual meeting.

This industry has so many habitual practices. But someone from the outside can look at it and say, “Wait a minute. Just because everyone else in your industry does it this way doesn’t mean that it’s the best way to do it. Why don’t you consider another approach?” It has forced me to look at things with fresh eyes, which has helped immensely.

**Yager:** The biggest surprise for me came as a result of my association with the group of business professionals.

When I first joined that group, my basic goals were to work as little as possible and make sure I had a life. The great surprise was to find myself not only in a partnership, but the managing partner, and absolutely loving it! Because the group gave me the courage to seize the opportunity, I found my real calling.

**Boyce:** I’ve been surprised at how critical the advisory board has been to our evolution and the rapid progress that we’ve made. Another surprise is how much time it takes to prepare for a meeting and to follow up. I didn’t expect that going in, but I often feel it’s the most valuable time that I spend during a particular month—getting ready for the meeting and following up on the recommendations and advice that we get there.

The only disappointment that we’ve had is when we haven’t taken enough time to prepare. We come out of the meeting feeling like we’ve spun our wheels a bit. Shame on us, but we’ve learned our lesson in that regard.

**JFP:** Any other advice you would offer to a planner who is thinking about establishing an advisory board?

**Boyce:** Know what you want to achieve with the board. Invite people who can

help in those specific areas. Keep the agenda and discussions focused during the time that you have with your advisors.

**Jones:** I agree. It’s very important to know what you are trying to get out of the advisory board. Unless you have a specific agenda, there will be a lot of wheel-spinning.

In my case, I wanted business planning assistance first, so I joined the CEO roundtable. Now, we’re considering adding a client advisory board, but it will serve a completely different function.

**Holland:** When you read about these wonderful ideas in the trade magazines, you want to adopt all of them. An advisory board is an example of a great idea, but you have to be willing to put time into it. So I would say: Don’t adopt an advisory board unless you are really going to make time to plan for it and use the ideas that come out of it.



Catherine Newton is a freelance writer based in Denver, Colorado.

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