

Defying Convention

Goal: Growing your business.

Problem: Overcoming a client's objection to fees. A client with a large account grumbles: "Why pay fees in a down market, especially if I don't trade a lot?" To save the account, you feel compelled to justify them.

Suggestion: Take a holistic approach. As a financial advisor, your services cover more than just investments. They are specific to a client's personal situation and are worth paying for. In contrast, conventional wisdom – which is free – deals in generalities. It says, for example, to refinance a mortgage if rates drop by 1%. Sadly, many advisor-less people follow this bad advice. While you are not paid for it, recommend a refi if rates drop by just 0.5%. Clients will save thousands. That could equal years worth of account fees.

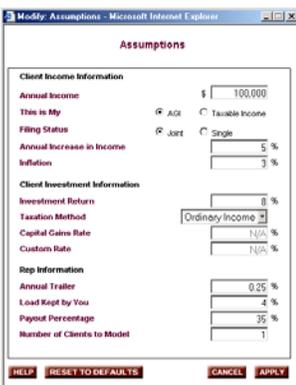
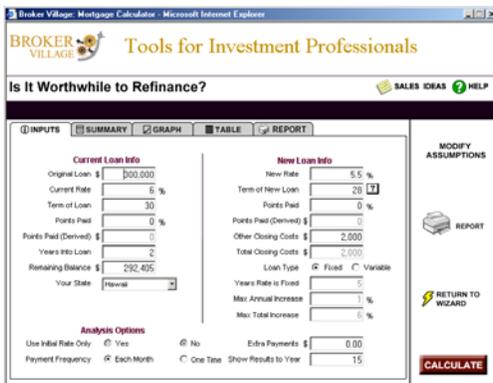
Result: Your business grows, as clients are happier and stay with you longer.

The calculator is easy to use. Data entry is fast and easy. Help files, wizards, and prompts guide you.

On a \$200,000 account a couple pays a 1% advisory fee. AGI is \$100,000 and rises 5%/yr. Two years ago they bought a house. They'll keep it for at least 15 years. \$292,405 is left on a \$300,000, 6%, 0 point, 30-year loan. You suggest a 5.5%, 0 point refi. To keep the same payoff date, they make extra payments. Net closing costs are \$2,000 excluding pre-paid interest and taxes, which they escrow already.

Print, graph, & table results. By year 15 they save \$9,904 after tax (\$7,904 post closing). \$2,000 was "invested" to close, but not recouped. That cash flow is like the flow – on a discount basis – of a 31.8% tax-free muni bond! Home equity also is \$4,501 higher. Loan balances are \$190,006 vs. \$194,507.

You certainly earned your fee, even if the market is shaky. With this idea, you justified nearly four years worth of advisory fees. Who said a financial advisor only helps with investment matters?



For Entries Above

- Both loans are fixed
- Current loan is 2 years old
- New loan repaid in 28 years so final payments coincide

For Entries to Left

- AGI of \$100,000 rises 5%/yr
- 3% inflation affects tax brackets and calculations
- File jointly in Hawaii
- 8% earnings taxed normally

