

A Free Assistant

Goal: Growing your business.

Problem: There's not enough time to manage all your accounts. Clients would benefit, and you'd earn more, if you could. Hiring a sales assistant would solve the problem, but does it make economic sense?

Suggestion: Hire a dependable Series 6 or 7 licensed assistant. He may be new to the business and/or prefer part time work. Offer a modest salary, basic benefits, and a bonus that is tied to sales. Incredibly, if he makes just one or two large trades a week, he'll pay for himself! You also get a tax deduction for his expense.

You work the top 20% of your 500 clients. He works the other 400. He favors a diversified approach: C-shares and multi-manager VAs. He focuses on clients with under-water stocks or funds, or soon-to-mature bonds or CDs. For cash-laden clients, he suggests conservative asset allocations to ease them back into the market.

Result: Your business grows, and clients benefit, with help from Broker Village.

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

A rep manages \$50 million, attracts \$5 million/yr, and did \$325,000 in GDC. Ranked by productivity (ROA), *not* account size, the top 20% of her 500 clients (100) have 45% of assets (\$22.5 million). They generate 80% of GDC. "Back-of-the-book" clients (400) have 55% of assets (\$27.5 million) and generate 20% of GDC (\$65,000). Clients earn 8%/yr pre-expense.

The rep hires an assistant. He works 5 six-hour days and puts his kids on and off the bus. Salary is \$30,000, benefits & bonuses are \$10,000, totaling \$40,000/yr. Over two years he converts 100 clients (25% of the 400 & \$6.875 million). That's one a week! (500 * .8 * .25/100 wks.) He uses level-load VAs (1.5%/yr) and C-shares (1%/yr) for a 1.25% blended fee.

Print, graph, & table results. He generates an extra \$389,336 in GDC over five years. That's \$311,469 net at an 80% payout. If clients lose 10%/yr for 3 years, then earn 8%/yr, you still net an extra \$205,166.

You paid him \$200,000 overall. Since you paid out of your pocket, at a 35% tax rate, you get a \$70,000 tax deduction. Thus, his net cost is \$130,000. You pocket an extra \$180,469 (\$311,469 - \$130,000), manage the business better, and clients are better served.

Your practice value also grows. Assume that assets are worth 1.5X then-current revenue. After five years it will be worth almost \$150,000 extra. By hiring him it'll be worth \$1.17 vs. \$1.02 million.

