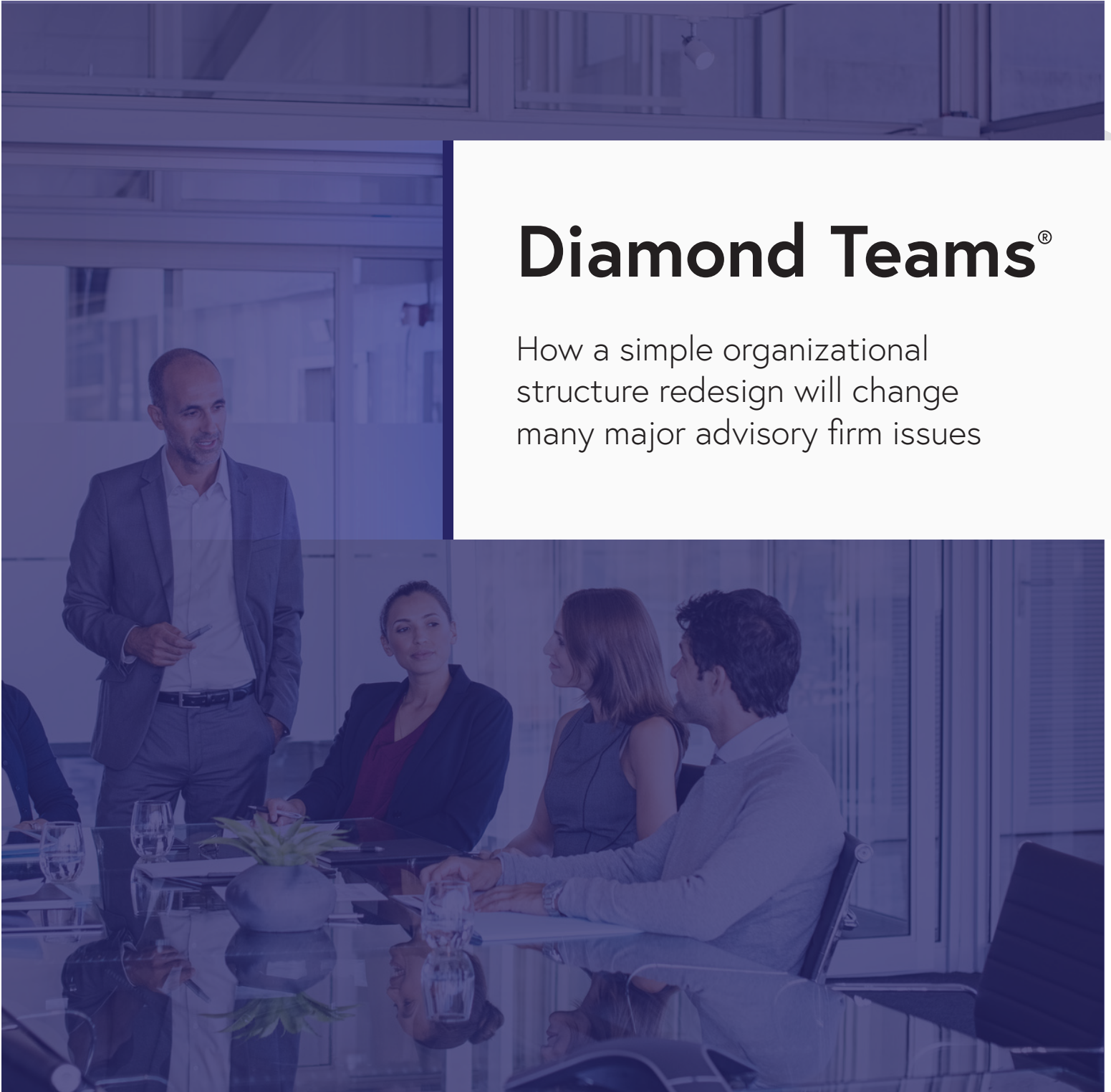




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Diamond Teams[®]

How a simple organizational
structure redesign will change
many major advisory firm issues



About the Author

Angie Herbers is founder and CEO of Herbers & Company. She brings over 17 years of experience guiding financial advisors to long-term, scalable growth by creating and executing holistic growth strategies to manage the eight areas of practice management: leadership, corporate finance, client service, operations, management, human capital, sales and marketing. Herbers has consulted for more than 1,000 financial advisory firms and businesses ranging in size from \$350,000 to over \$100 million in revenue.

Herbers is a columnist with *Investment Advisor* magazine, a blogger for *ThinkAdvisor.com*. She is a frequent speaker at industry conferences. *Investment Advisor* named Herbers one of the "Top 25 Most Influential People in the Advisory Industry" in 2007, 2013, 2015, 2018 and 2019.

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2007, 2013, 2015, 2018, 2019

For more information and access to full training materials on how to implement Diamond Teams® visit:

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Executive Summary

The Diamond Team® Advantage

Originally created as a strategy to better train entry level advisors, Diamond Teams® are a revolutionary way to organize independent advisory firms. Rather than the traditional pyramid structure with the firm owner(s) at the top, and increasingly larger layers below of senior advisors, lead advisors, and associate advisors at the bottom, picture a baseball diamond (see **Figure 1**): at the top, on second base is a senior advisor (usually the firm owner or partner), on first and third bases are lead advisors, who work directly with clients; and at the bottom on home plate is an associate advisor.

Rather than supporting the lead advisors (which is done by a non-professional client service specialist or client service team), the associate advisor's primary job (where he or she spends at least 80% of their time), is sitting in client meetings, taking notes, and learning how the firm's lead advisors work directly with clients.

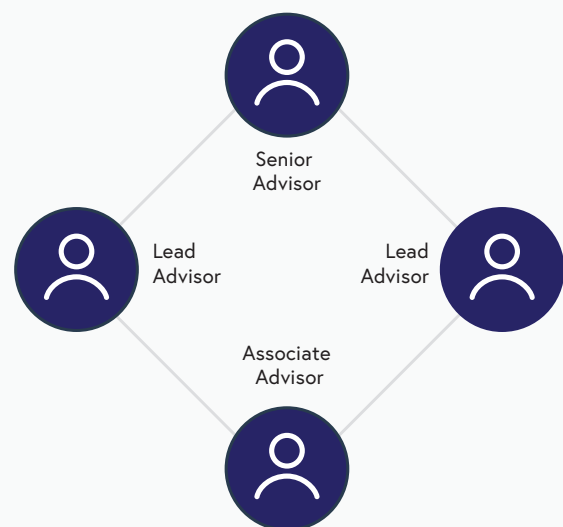
We call this a Diamond Team®, and yes, it's a radical new way of training young advisors. And, for owners who wait to hire new associate advisors until their firm is in a workload crisis, it's not much help. But, by hiring junior advisors at the right time, firms avoid the cycle of over paying for "star" advisors, overloading and burning them out, and the resulting high turnover and stagnant growth rates. Diamond Teams® eliminate the question of when to hire associate advisors (when a vacancy opens up), and the problem of training already overworked associate advisors to work directly with clients. In a Diamond Team®, an associate advisor's job is to get ready to become a lead advisor as fast as they can, which makes the whole firm poised for growth and profitability.

The Diamond Team® enables advisors at every level to be better at their jobs and more productive. Each Team is responsible for a segment of the firm's clients, or in a smaller firm, all the firm's clients. The senior advisor works directly with the Team's most important clients, usually the top 20%, which ideally takes about 20% of his or her time, making sure they get the service they both need and want. They devote the rest of their time to bringing in new clients and/or managing the firm.

The majority of the Team's clients are then split between the two lead advisors, handling client meetings and providing investment management, financial planning, and other services. In some cases, both lead advisors may work with some or even all of the clients. The Diamond Team® structure tends to encourage specialization among the lead advisors — one focusing on financial planning while the other creates and manages the investment portfolios — so that clients work directly with both advisors.

Lead advisors are also encouraged to spend up to 20% of their time bringing new clients into the

Figure 1
Diamond Team® Structure



firm, to prepare them to become senior advisors, and eventually firm owners. And the associate advisor attends every Team client meeting, taking notes, writing follow up "to do" lists for the other advisors, preparing a recap letter for the client, scheduling their next appointment, delegating work to the back office, and updating the firm's CRM. In the associates' "free time," they help the Team's lead advisors with investment screening and monitoring, and drafting financial plans.

As firms grow, and a Diamond Team® reaches its full capacity for servicing its clients — usually between 255 and 285 clients — one of the lead advisors will split off to form another Team (at first with a lone associate who is fast tracked to become the first lead advisor), while his or her role in the former Team is taken by the associate advisor (see Appendix 1).

Following, a new associate is hired, and the training process begins again. A lead advisor would also be promoted to the senior advisor role in their existing team, upon the retirement or transition of the current senior advisor to firm management role. In actual practice, we've found that the Diamond Team® structure we created for training younger advisors to be ready to work with clients delivers myriad other business benefits that we didn't initially anticipate.

Here's a list of the ways our Diamond Team® firms have become better businesses:

Creates A Career Path for Advisors

Every advisor in the firm can readily see their next position (and how much firm growth will be required for that position to open up) from virtually their first day with the firm (see Appendix 2).

Leads to Specialization of Lead Advisors

By working in teams, lead advisors are encouraged

Benefits of Implementing Diamond Team® Structures

- Creates a Career Path for Advisors
- Leads to Specialization of Lead Advisors
- Creates Leverage for Rainmaking and Attention to Key Clients
- Increases Advisor Productivity
- Creates a Firm Succession Plan
- Eliminates the Question of When to Hire Advisors
- Enhances Recruiting
- Leads to Easy Segmentation of Clients
- Ability to Better Serve Smaller Clients
- Stronger Client Bond to the Firm

to specialize in the area of their greatest interest, usually either financial planning or investment management, (but can be tax, estate planning, insurance, etc.) supported by a complimentary specialization of the other lead advisor.

Creates Leverage for Rainmaking and Attention to Key Clients

With a reduced client load, senior advisors can focus on serving the firm's most important clients, allowing them ample time to bring in new clients, which often "turbo-charges" the growth of the firm.

Increases Advisor Productivity

One four-person Diamond Team® can work with between 255 and 285 clients, with on average \$200 million in AUM, generating about \$2 million annually in revenue and an average 20% to 23% growth rate in new assets. The efficiencies of working together, specializing, and little or no preparation for client meetings translates into more time out of the office for the business owners, lead and senior advisors.

Creates a Firm Succession Plan

With increased firm growth, and the creation of new Diamond Teams®, a growing number of senior advisors are able to assume ownership in the firm, which creates a built-in exit strategy for the current and future firm owner/advisor(s).

Eliminates the Question of when to Hire Advisors

As a Diamond Team® firm grows, associate positions automatically open up, and need to be filled. The elimination of hiring advisors at more advanced levels also greatly enhances firm growth and profitability.

Enhances Recruiting

Hiring entry-level advisors into positions that will require the majority of their time spent in client meetings makes Diamond Teams® an employer of choice for young advisors. As well as a clear career track that virtually assures successful young advisors the prospect of advancement to lead and senior advisor positions as the firm grows.

Leads to Easy Segmentation of Clients

Diamond Teams® lend themselves to client segmentation. With the encouraged specialization by lead advisors, firms have the ability to designate Teams to specialize in types of clients (i.e. business owners, corporate executives, doctors, high net worth clients, clients who only want investment management.) Independent advisory firms can provide service levels and expertise of larger financial institutions through the specialization of Teams with specific client segments.

Serving Smaller Clients

As part of client segmentation, Teams can solve the challenge of what to do with smaller clients. In larger firms, one Team can be designed to work with "middle market" clients. Advisors in such a Team would gain an expertise in the issues faced by middle market clients, and have the technology

to serve that segment efficiently. It's an issue that few firms are successfully solving today, but one that Diamond Teams® are uniquely suited to handle.

Stronger Client Bond with the Firm

We've found the Diamond Team® structure greatly reduces the risk of advisors leaving the firm, and taking clients with them. Clients who have grown used to, and come to appreciate the Team approach tend to think of "the Team" as their advisor, and are far less likely to follow one individual team member. This is another of today's major advisory problems — breakaway advisors — that is solved by the Diamond Team® approach.

The success of Diamond Teams® in today's independent advisory firms is dependent on two elements. It's essential to have a fully functional back office support team, or what we call centralized client service. The goal is to enable advisors at every level to focus on servicing their clients, attracting new clients, and/or managing the firm. Centralized Client Service departments should handle all routine contacts with clients, other vendors, and custodians or B/Ds, keep technology systems operational, enter financial planning and client data, and gather information or documents.

And finally, while it's sometimes hard for firm owners to commit to paying an associate to "sit in client meetings," everyone in the firm needs to understand that each associate's primary duty is to participate in client meetings. Without complete buy in, each Team and their firm runs the very real risk of slipping into a traditional organizational structure with associate advisors in "support" roles doing all the back-office work.

Consequently, with little or no time to attend client meetings, associate advisors will not attain the experience necessary to become lead advisors. This then negates the success — and the many benefits — of the Diamond Team® structure within advisory firms.

Introduction

How do you train young advisors to work with clients? That is, how do you take a young advisor working in an associate (sometimes called a junior) advisor capacity — for upwards of 50 hours a week, creating and monitoring investment portfolios and/or writing financial plans — and help them to become lead advisors working with their own group of the firm's clients (and contributing directly to the revenue stream of your firm)?

How do you prepare them to ultimately become firm owners? How do you teach them the skills necessary to meet with clients, listen carefully to what they are saying (and not saying), ask the right questions without being too pushy, establish a strong working relationship, and earn the client's trust and respect regardless of age? And eventually be able to attract people in your target market to become clients of the firm? Lastly, where would they find the time to learn all this, even if you had a training program that would teach them all this?

THE GOAL

To enable advisors to focus on servicing their clients, attracting new clients and/or managing the firm.

Learn how to effectively build Diamond Teams® at:

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This is a problem that independent advisors have been wrestling with for 25 years; when advisors began to realize that they could increase their productivity if they hired younger advisors to do much of the behind-the-scenes client service work. Thus, enabling owner/advisors to spend more time meeting with clients and prospective clients, making key investment and financial decisions, and managing their firms.

But as it turned out, young advisors — both then and now — usually aren't happy spending their careers in a "supporting" role. And when faced with the prospect of working behind the scenes with no end in sight, they tend to look for jobs that seem to have more opportunities for advancement. More than any other factor, we've found this to be the reason for the professional revolving door that is so pervasive in the independent advisory profession — which creates the unusually high turnover rates that anchor to both firm profitability and growth.

In our consulting work with independent advisory firms over the past 12 years, we focus on helping owner/advisors build great firms by creating great employees. Consequently, the revolving door for associate advisors was a major challenge that we knew we had to overcome. After more than a little trial and error with various training programs, we took a step back, and after considerable brainstorming, we realized that the problem isn't how younger advisors are trained — it's the traditional organizational structure of advisory firms itself (see **Figure 2**).

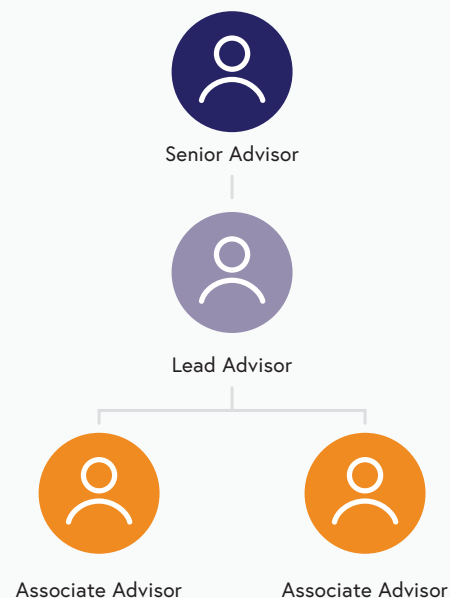
Based on the standard management pyramid, with owner/advisors or senior advisors at the top, lead advisors in the middle, and one or several associate advisors at the bottom, we realized that in their supporting role, most young advisors would never have the time or the opportunity to gain experience working with clients. They might eventually be able to create financial plans and to manage investment portfolios on their own, but without exposure to clients, only the "star" young

advisors, who have a natural gift for interacting with people, would ever be able to become lead advisors.

We also realized that the industry trend of trying to hire "superstar" associate advisors is a direct result of this inability to train them to work with clients. Perhaps even more than the tendency to wait until a firm's work load has reached crisis levels, and then wanting to hire someone who can make an instant impact on operations.

We found that the solution to training young advisors to work with clients is a radical new organizational structure, which we call "Diamond Teams®". In fact, once we put them into practice, we found that reorganizing into Diamond Teams® provided solutions to many of the challenges that independent firms face today: a clear career path for young advisors (see Appendix 2), a succession

Figure 2
Traditional Organizational Structure for Advisory Firm Teams



plan for lead advisors, an exit strategy for owner-advisors, an easy way to recruit young advisors, stronger client bonds with the firm, and significant increases in firm productivity.

The biggest problem we have with Diamond Teams® is convincing owner-advisors to implement such a non-traditional program — in this case, a dramatic, yet simple but very effective complete redesign of a firm's organizational structure and changing the vision for the role of associate advisors.

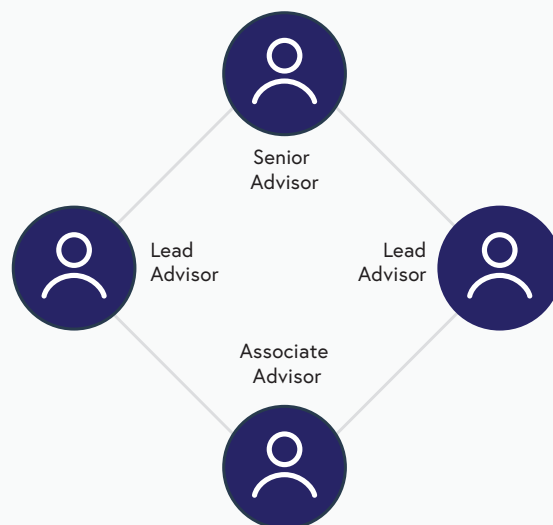
The Solution: Diamond Teams®

The idea behind the Diamond Teams® isn't complicated. Imagine a baseball infield diamond (see **Figure 3**): at the top, on second base, is a senior advisor, who is usually the firm owner or a partner in the firm; on first and third bases are lead advisors, who work directly with clients, and at the bottom of the diamond on home plate is an associate advisor. This team is then responsible for a segment of a firm's clients, or in the case of a smaller firm, all the firm's clients.

The senior advisor works directly with the Team's most important clients, which ideally takes about 20% of his or her time. That leaves the remaining 80% of their time to focus on bringing in new clients and/or managing the firm. They are also responsible for managing their team, troubleshooting any client problems that arise, and lending their experience and expertise to specific client accounts when needed.

This structure enables firm owners and senior advisors to devote "special" attention to key clients, ensuring they receive the service they both need and want, and consequently, greatly reducing the chances that the firm will lose any of

Figure 3
Diamond Team® Structure



its most important and profitable clients.

The majority of the team's clients are then split between the two lead advisors, who work directly with them, handling their regular meetings and providing their investment, financial planning, and other services. In some cases, both lead advisors may work with some or even all of the clients.

One of the many unintended consequences of the Diamond Team® structure is that it tends to encourage specialization among the lead advisors — with, for instance, one focusing on financial planning while another creates and manages the investment portfolios — so that clients work directly with both advisors.

As part of the training for lead advisors to become senior advisors and firm owners, the two lead advisors are usually encouraged to limit working with clients to about 80% of their time, leaving the other 20% of their time to do some rainmaking, training and mentoring.

At the bottom of the diamond is the lone associate advisor. But rather than having the traditional role of supporting the lead and senior advisors behind the scenes, the primary job of the associate advisor in a Diamond Team® is to attend every client meeting of the team's lead and senior advisors: listening, taking notes, and then writing follow up tasks for the other advisors, preparing a recap letter for the client, scheduling their next appointment, delegating work to the back office (but not doing the work), and updating the firm's CRM with new client data. At first, we thought this would be the associate's only job, but we've found that if and when associates have some free time, they benefit from helping the lead advisors with investment screening and monitoring, and drafting financial plans.

With that said, it's important that everyone on the team understand that any other duties are not to interfere with an associate's ability to participate in client meetings. Otherwise, the team and the firm run the very real risk of gradually morphing back into a traditional organization structure with associate advisors in "support" roles doing all the back-office work and rarely having time to attend client meetings.

The key to the success — and the many benefits — of the Diamond Team® structure is that the associate advisors continue to attend all client meetings from virtually day one, watching how lead advisors work with clients, getting to know the clients themselves, and seeing how financial plans and investment portfolios are presented, how questions are answered, and how problems are addressed and solved.

Over time, most associates start to take part in client discussions, even presenting portions of some client presentations. Typically, after two to three years of this kind of hands on experience, firms find that their associate advisors are truly ready to start working with clients, and are well on their way to becoming productive lead advisors working with clients on their own — and

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We realized that the problem isn't how younger advisors are trained — it's the traditional organizational structure of advisory firms themselves.

ultimately becoming owner/advisors. We have seen associate advisors move into ownership positions within 4 to 6 years of when they started with a firm, significantly accelerating the usual amount of time needed to carry out an internal succession.

Centralized Client Service and Operations Department

It should be noted that our Diamond Teams® are made possible by fully functional back office support or as we call it, "Centralized Client Service and Operations" at all our client firms. Our goal is to take everything off the desks of our advisors that doesn't pertain to talking to their clients, attracting new clients, or managing the firm (in the case of owner/advisors).

All our non-professional office staff work in our "Centralized Client Service" department and handle all the contacts with custodians or broker/dealers and other vendors, keeping the technology systems fully operational, entering financial planning data into software, maintaining the CRM files, and routine client contact such as taking phone calls and emails, setting up appointments, and gathering information or documents.

All of our firms have dedicated Client Service Specialists or "CSS's" as we call them, whose sole responsibility is to ensure that every client feels that they are getting the best, most personalized service possible. In addition, the vast majority of the CSS positions are filled with non-professional talent such as administrative people and client service/operational type representatives who have virtually no desire to become professional financial advisors.

They enjoy the "back office" work and desire to stay in these positions for the long-term. This way, we have limited the training and retraining commonly associated with hiring "support

advisors," who eventually move out of these roles into advisory roles.

Moreover, for the firms who have dedicated CSS positions, we have found that their career path leads to a Chief Operations Officer (COO) role in the company as it gets bigger. We traditionally see a COO type position emerge in advisory firms around \$2 million in gross annual revenue (see **Figure 4**).

However, the COO position tends to get filled either full-time or part-time by a reluctant partner who is essentially forced to perform this role overtime with the growing operational demand in the firm. By having CSS's performing the majority of what we consider "support advisor" or "back office" functions for an extended period of time, they learn the COO role without the desire to become professional advisors. This offers much

Figure 4
Centralized Client Service
Department Organizational
Structures



needed support in running the advisory firm protecting the rest of the advisory team from this operational scope creep.

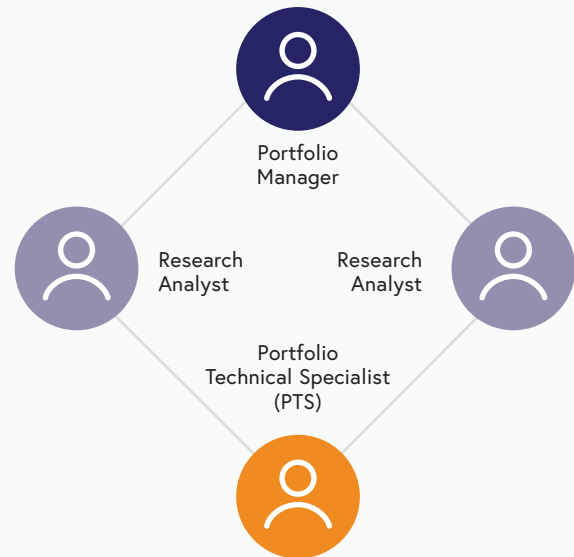
Overall, the goal is to make sure that our advisors are spending all of their time in the office working with their clients, meeting with clients, talking to clients on the phone, prospecting for clients, setting goals for the business, and nothing else. It is this foundation that allows the senior and lead advisors in each Team to work without the need for traditional support advisors.

Investment and Portfolio Management Department

Traditionally, within the Diamond Team® structure, one of the Lead or Senior Advisors (or if you have several Diamond Teams®, a group of Lead and Senior Advisors, commonly referred to as the investment management committee) develops a specialty in the investment management of the client assets (i.e. investment research, picking the funds, rebalancing, etc.). However, as a firm gets much larger, one of those Lead Advisors may branch off and create a whole new team called the Investment Management Department. This department then assumes all the responsibility of managing the client assets of the firm, educating the Lead Advisors on those decisions, and working with them to customize client portfolios.

To build this additional department, one of the Lead Advisors will assume this as their primary role in the company or more often, a Chartered Financial Analyst (CFA) is hired to build this department. Due to the way Diamond Teams® are structured, the investment management decisions are spread across each of the Teams, creating the leverage that is needed to prevent expensive CFA hires. Therefore, this additional department usually doesn't begin to emerge until the firm reaches at least \$4 million to \$5 million in gross revenues.

Figure 5
Department of Investment Management



The Investment Management Department is the very last department to be built in the company, and ironically, as the company gets bigger and bigger this department also assumes a Diamond Team® structure with the CFA/Portfolio Manager at the top of the Diamond, two research analysts at first and third base, and a trader at home plate (see **Figure 5**).

The New Approach

Of course, it's not easy to convince firm owners that rather than pitching in to help of course, it's not easy to convince firm owners that rather than pitching in to help wait too long to hire their next advisor, thereby creating a work-overload crisis. Then, the focus is on hiring someone ASAP (during talent shortages that the advisory industry

has been experiencing) who can "hit the ground running" and leverage the owner/advisor and/or other senior advisors back into a manageable workload.

This, of course, starts the downward spiral of overpaying for a "perceived" superstar. The owner then having unrealistic expectations for their initial impact on the firm, dumps too much work on them too quickly and becomes disappointed with their "under performance" — typically resulting in burnout and high turnover rates, which are very costly for the firm in terms of both profit and wasted time. Conversely, we find that we don't have many problems converting to Diamond Teams® in firms that hire new employees on time. That is, when workloads have begun to rise, but aren't yet near crisis levels.

Without an immediate need to dump unrealistic levels of work on a new associate, firm owners are far more willing to give Diamond Teams® a try. Once they do, they never look back. (The many benefits, which we discuss below, begin to surface surprisingly quickly, rendering backtracking a non-issue.) To make this transition, we fit the current staff into the Team structure, and then we start hiring associate advisors (and sometimes client service specialists in the "back office") to fill in the holes, "fast tracking" associates into lead advisor positions when necessary.

Transitioning Into Diamond Teams®

With firms that already have a number of advisors on staff, the transition to a Diamond Team® or two is relatively easy: We simply form a Team or two (or three) with a senior advisor at the top and two lead advisors to work with him or her. If the firm already has an associate advisor to work with them, great. If not, we quickly hire one for each team. In these cases, we usually find that firms start to see unexpected benefits almost immediately.

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The goal is to make sure that our advisors are spending all of their time in the office working with their clients, meeting with clients, talking to clients on the phone, prospecting for clients, setting goals for the business, and nothing else.

First, the senior advisor, now with the support of the two lead advisors taking 80% of the client load, suddenly finds that they have much more time to do the "rainmaking" they'd always dreamed of. This "marketing" takes many forms, from writing a book, to getting a weekly radio show, to doing seminars, to playing more client golf. But whatever they do, as long as it suits the temperament of the senior advisor, the additional freedom almost always results in more new clients (usually a lot more clients), which leads to higher revenues and eventually the need for more Diamond Teams®.

Making Lead Advisors Better

At the same time, the two lead advisors also typically benefit from the new structure rather quickly. Whether they were formerly associate advisors or had experience working with their own

clients, they usually find the "team" atmosphere of working closely with another advisor to be both motivational and more productive. When two lead advisors share responsibility for a group of clients, we find that a few unexpected things happen. As we mentioned above, the lead advisors tend to specialize into different areas of professional expertise. While this isn't essential to the Diamond Team® concept (as in cases where both lead advisors enjoy being generalists), usually by that point in an advisor's career, they find they have a preference and an aptitude for a specific financial area such as planning, or investments, or insurance, or retirement, or even taxes, etc.

No matter how they break it down, most lead advisors are happier and more productive when they can focus on their areas of interest. What's more, because they are already handling the financial planning or the investment portfolios for their clients or some other area of the clients' service needs, both lead advisors require little or no prep time before they can go into client meetings. The senior advisor, now with the support of the two lead advisors taking 80% of the client load, suddenly finds that they have much more time to do the "rainmaking" they'd always dreamed of. And they don't need to take notes or pass along a list of follow up work to their associates; he or she was right in the client meeting with them. The Team structure also allows lead advisors some time to focus on rainmaking. Again, this can be optional, but for lead advisors who aspire to lead their own teams and become owners in their firm, being able to bring in new clients is usually an essential skill.

These efficiencies aren't just on paper: Our experience shows that Diamond Teams® substantially increase productivity in our client firms: One four-person Team can work with between 255 and 285 clients with on average \$200 million in AUM. Which means, at least with our clients, one Team providing comprehensive wealth management services and investment advice will generate about \$2 million annually

in revenue and have an average 20% to 23% growth rate in new assets. At the same time, the efficiencies of working together, specializing, and requiring little or no preparation for client meetings usually translates into more time out of the office for the lead and senior advisors. Ironically, when presented with the concept of Diamond Teams®, firm employees almost always recognize the potential advantages long before firm owners do.

A Clear Path to Succession

The Teams also create a career track for the lead advisors, as well. Just the increased exposure to a senior advisor (who is usually at least a part owner in the firm, if not the owner/advisor) goes a long way in preparing them for firm ownership: by gaining an understanding of both a business owner's responsibilities, and how a business owner thinks. Many firms have formal programs to teach lead advisors to become great owners, including attending partner meetings, and serving on various partner committees. When they are ready to take a larger role in recruiting more clients, they can split off to form their own Diamond Teams®, supported by two lead advisors, etc. — or assume the senior advisor role in their existing team, freeing up the owner/advisor to focus exclusively on rainmaking and managing the firm, as a step toward transitioning out of the firm altogether.

The formation of additional Teams, in turn, creates a succession plan: a growing number of senior advisors acquire increasing equity stakes in the firm, while at the same time, assuming a greater portion of the responsibility for bringing in new clients and growing the firm. Obviously, this also creates an exit strategy for owner/advisors, who now have created a financially viable way for a growing number of senior advisors to buy them out, and to take on more of their responsibilities so that they can gradually phase out their time in the office, if they desire.

Faster Growing Solo Practitioners

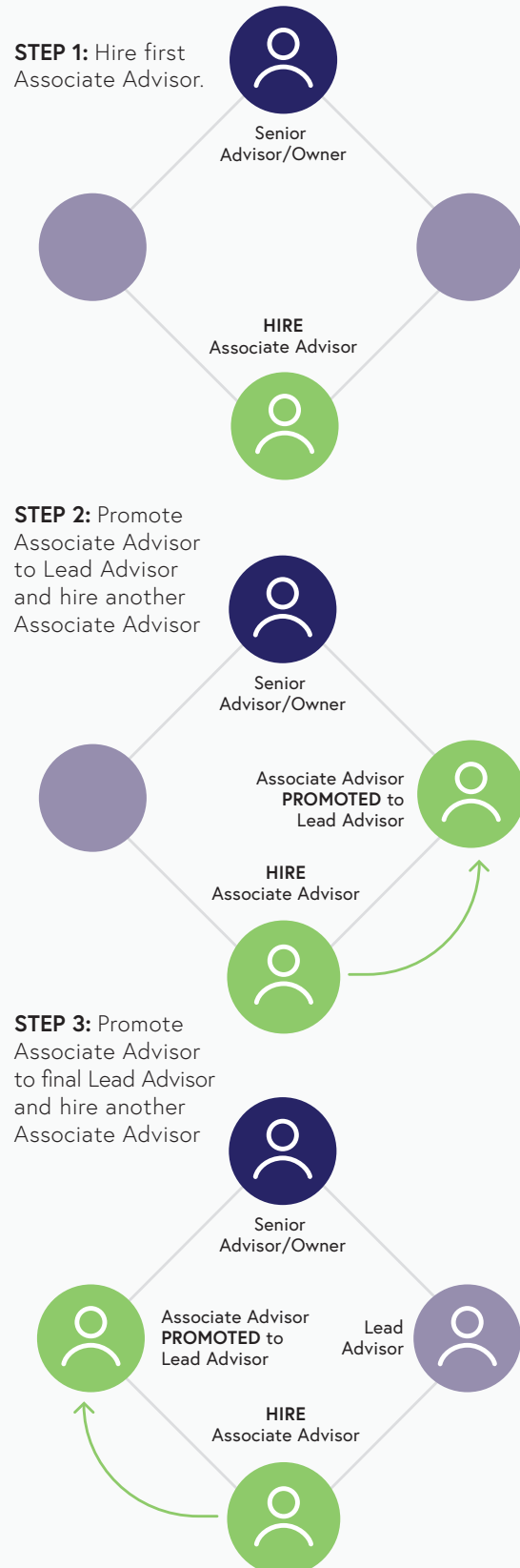
With solo practitioners, the transition to Diamond Teams® can take a little longer, but the benefits can be just as great — or greater (see **Figure 6**). As with any firm, the key is to hire an associate advisor before the firm's workload reaches a crisis level. Then, they can begin the Diamond Team® structure, with only the owner/advisor and the associate: the owner/advisor continues to work with his or her clients as they did before, while the associate advisor sits in all client meetings and helps out with client service work as time permits. Once again, the key to success is for the owner/advisor to accept the fact that they aren't going to get a lot of leverage from the new associate for at least a couple of years. However, it is likely that they'll get sufficient leverage to add enough new clients to cover the cost of the associate.

It's mostly an investment in time, alone: Once the associate advisor gains enough experience to start managing his or her own clients, then the owner/advisor will see substantial gains in free time to bring in more clients, increasing revenues and profits, and the ability to spend more time out of the office. The firm, then, can hire one or even two more associates to start the "training" process over again, and bring the Diamond Team® up to full strength. With the benefit of substantially more "free" time, the owner/advisor can really start to grow the firm, at which point they are no longer considered a "solo" practitioner.

Team Based Compensation Structures

Diamond Team® members are most often compensated based on the revenues generated by their team, with a bonus for overall firm revenues. Because they are working as a team, they feel they should be paid as a team, which creates incentives for maintaining high levels of client service, and for recruiting more clients.

Figure 6
Three Step Process to Building First Diamond Teams®



Because the Team structure instills a sense of ownership in its members, we almost never have issues with one advisor failing to pull his or her weight. In fact, it's far more likely that we have to force an advisor to take more time off or spend more time at home. (We believe a good balance between work and home life is essential to the happiness and the long-term productivity of our owners and employees.)

Breaking the "Star Advisor" Cycle

One of biggest advantages of the Diamond Team® strategy comes by always hiring at the associate level. This virtually eliminates the expensive and risky practice of hiring senior level or very hard to find lead advisors. While it's always nice to hire the best and the brightest, with Diamond Teams® there's no need to pursue young "superstars." While we don't use the associate position for screening — we always hire with the intention of, and an eye toward, training our associates to become firm owners — in the rare case that one doesn't work out, it's recognized quickly, and with minimal cost to the firm in terms of cash and time.

To increase the chances of finding the right associates our clients work with student interns, which gives them a chance to get to know the intern, and they can see that the associates really do spend most of their time in client meetings. Because the associate advisors are trained to work directly with clients, when the time comes they can seamlessly be promoted to Lead Advisors, creating a career track that eliminates the need to hire expensive — and unknown — lead advisors from other firms.

The Recruiting Advantage

With Diamond Teams®, recruiting mistakes are very rare, because the structure itself gives firms a tremendous recruiting advantage. It's not hard to see why. One of the first questions that virtually

every young advisor asks in job interviews is: "When will I start working with clients?" With the Diamond Team® structure, the answer is "Day One." What's more, in newly created Diamond Teams®, usually one of the lead advisor positions is open, so firms can point out to prospective associates that "their" lead advisor job is open and waiting for them, as soon as they are ready to fill it.

As you imagine, this makes Diamond Team® firms the employers of choice for almost every young advisor who applies for a job. So, while we don't target "star" advisory candidates, we usually find that our firms are preferred by the best student candidates (which protects the growth of these firms by eliminating the current talent shortage).

Diamond Teams® do tend to hire a lot of associates (compared to other firms), so this recruiting advantage can be a necessity as a firm is growing and creating more Teams. In fact, good associate advisors are so essential to the growth of Diamond Team® firms that often when they find a good candidate, they will hire him or her whether there is a place for them or not — and have them function as Client Service Specialist's (CSS) in the back office and sit in a few client meetings until a spot for them opens up.

Client Segmentation

Diamond Teams® also lend themselves very well to client segmentation, which both increases specialization and the quality of client services — especially the ability to meet specific client needs. Just as the Teams encourage the specialization of lead advisors, individual teams also have the ability to specialize in certain types of clients: business owners, corporate executives, doctors, high net worth clients, and clients who only want investment management, etc. Each of these client segments typically have specific investment, cash flow, tax, and/or multi-generational needs that are often best handled by advisors who have

experience in those areas. Independent advisory firms can often provide the service levels and expertise of much larger financial institutions by designating each Team to work with specific kinds of clients.

Serving Smaller Clients

Diamond Team® firms can also solve a dilemma that confronts most firms: what to do with smaller clients (usually legacy clients or friends and relatives of centers of influence) that are hard to service profitably using most firms' standard service models. In larger firms, one Team can be designated to service "middle market" clients, with specifically tailored technology and service models including model portfolios, financial plans, online forms and questionnaires, and video conferenced client meetings, all designed to keep service levels high while managing costs. Advisors in such a Team would gain an expertise in the issues faced by middle market clients, including knowledge of the benefit and retirement packages at large local employers, budgeting, college funding, insurance and credit management. It's an issue that few firms are successfully solving today, but one that Diamond Teams® are uniquely suited to handle.

Better Bonding with Clients

As a final unexpected benefit, we've found that the Diamond Team® structure virtually eliminates the risk of a lead advisor leaving the firm, and taking their clients with them by connecting each client to a team of four advisors. Clients who have grown used to, and come to appreciate, the Team approach, tend to think of "the Team" as their advisor, and are far less likely to follow one individual team member. When combined with a more cooperative, more productive working environment, and clear tracks for advancement and firm ownership, the incentive for lead advisors to leave the firm is also greatly reduced. Thus, another of today's major advisory problems —

breakaway advisors — is solved by the Diamond Team® approach.

Conclusion

As you can see, what started out as a program to better train young advisors has ended up as a solution for many of the biggest challenges facing independent advisory firms today: training and retaining advisors, career tracks for young advisors, maximizing client service, recruiting, succession planning, serving smaller clients, and breaking the "star" advisor cycle.

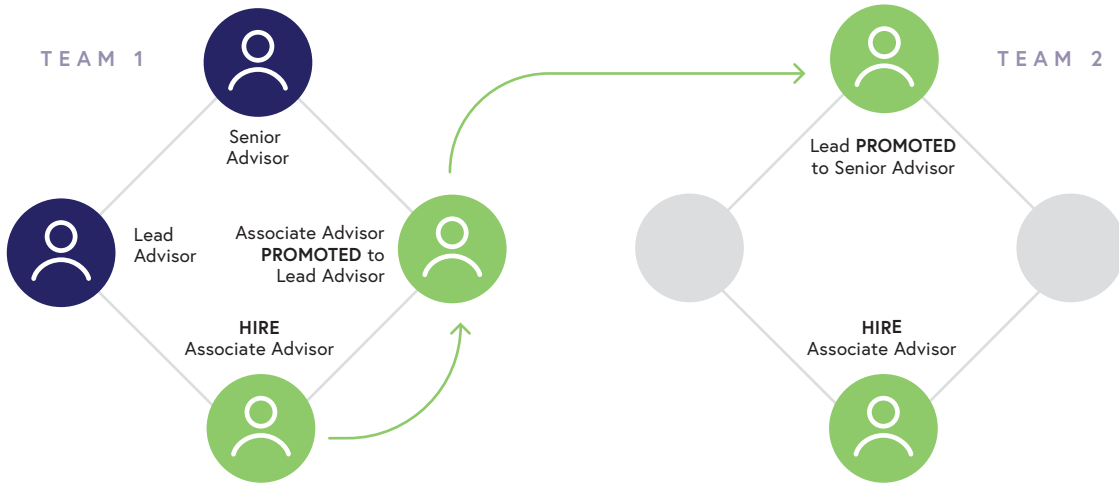
By creating a Diamond Team® mentality, training advisors at all levels to advance, and better organizing a firm's lead and senior advisors, Diamond Teams® build better, larger, and more profitable firms. They also tie advisors to the firm through clear and assessable paths of advancement and firm ownership. Diamond Teams® also enhance their professional skills and abilities to help their clients, and build stronger client relationships through higher levels of service, which are better tailored to client specific needs when delivered.

It's a radical new way of looking at the organization of independent advisory firms: a formula that's changed the way our clients do business, and we believe will change the way independent financial advice is delivered in the future.

Three Step Process to Build Second Diamond Team®

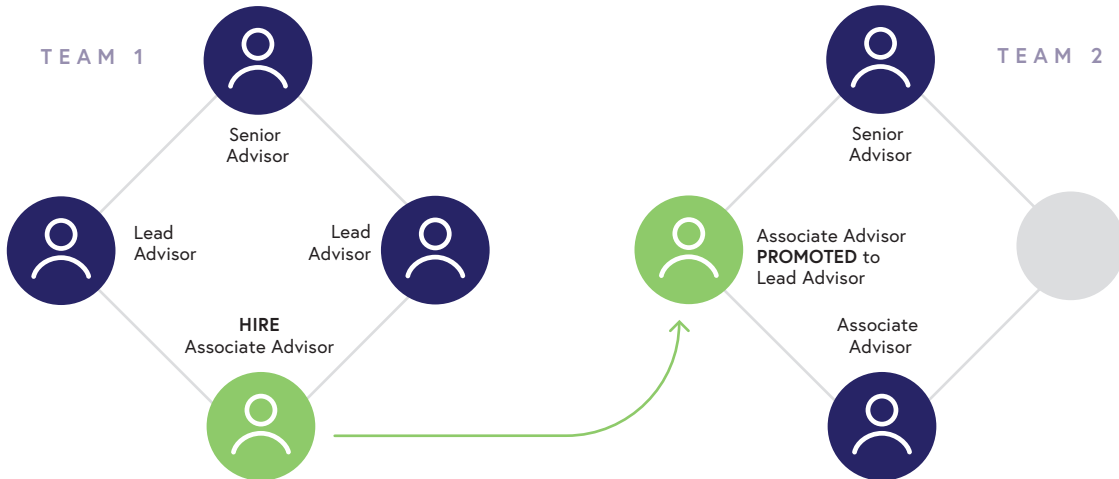
Step 1

Promote one **Lead Advisor** in Team 1 to **Senior Advisor** in a new Team 2. Promote **Associate Advisor** in Team 1 to **Lead Advisor** in Team 1. Hire **two new Associate Advisors**, one for each team.



Step 2

Promote **Associate Advisor** in Team 1 to **Lead Advisor** in Team 2. Hire new **Associate Advisor** for Team 1.



Step 3

Promote **Associate Advisor** in Team 2 to **Lead Advisor** in Team 2; Hire new **Associate Advisor** for Team 2

