



Berkshire

DIVIDEND STRATEGY

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Practice Management Insights

DOL: Challenge or Opportunity?

It is an understatement to say today's financial advisor is facing massive change and new realities. But these changes didn't come out of nowhere. Knowing how we got to where we are today can make the difference between struggling with the challenges of change, and capitalizing on the opportunities change creates.

Prior to 2008, life was much different. An advisor started a practice, developed strategies, networked, made sales and gathered assets. Markets mostly cooperated, asset values grew, clients reached their goals, and you were the beneficiary of client trust and referrals. If you were credible, smart and worked hard, your business flourished. We know success is never easy, but the industry enjoyed relative tailwinds in comparison to today's environment.

2008: New Realities Demand New Play-Books

Then, the financial crisis hit. Client portfolios and advisor revenue were hit hard. Business models were in upheaval. The biggest casualty was client trust and faith in the financial system. Litigation followed and that started the trend of the new compliance regimes we face as an industry. As a result, everyone who served advisory clients needed to change the playbook for this dramatically different landscape.

For example, when we prepared to launch our Dividend Growth Strategy in 2009, we knew advisors needed something more. Glossy fact sheets, golf balls and wine bottles weren't going to cut it anymore. Advisors needed more substance than the "old wholesaling" model. Our solution? Allow individual advisors to have direct, real time contact with portfolio managers to help attract and retain business. And instead of simply "pitching the product", we ensure to be experts on all challenges and opportunities facing advisors, so we could be a valuable source of counsel to help them thrive in this new world. Our mission is to not only run a great equity strategy but to also help advisors take their practice to the next level.

Today's Financial Advisor:

Through the beginning of 2016 the industry mostly recovered yet still seemed to be shadow of what it was before the crisis. Marketwise, advisors realities included: difficulty generating income, tricky markets, ongoing uncertainty and an overload of complicated product offerings to digest.

Businesswise, advisors face new competition, fee compression, more demanding clients, and complicated tax laws. Sustainable market advances to grow revenue seem elusive. Oh, and of course 2016 brought a little piece of legislation called the DOL Fiduciary Rule.

But the greatest challenge created from this regulatory, client and market change has become the sheer *time crunch created in advisors' practices*. One advisor said it best "There's just not enough time to do the very things that got me excited about this business in the first place.

To cite a study:

"78% of advisors list business growth as a top priority, yet on average only 11% is dedicated to that activity."

Berkshire is a fee-based, SEC registered advisory firm serving the portfolio management needs of high net worth and institutional clients. Over the past 29 years, we have successfully implemented highly focused equity, fixed income and balanced portfolios. Our guiding principle is a belief that success is achieved by combining rigorous, well-crafted investment processes with an exceptional level of client service and attention to detail. Asset Management with a Difference... Diligence, Integrity, and Focus.

Dividend Highlights

- Dividend growth can often provide transparent insight into a company's fundamentals and vitality.
- Dividend growth can provide an attractive stream of increasing cash flow to satisfy many financial objectives.

Guess what two activities take up nearly 1/3 of an advisor's day? You guessed it: compliance and administration. What's more, this quote was prior to the DOL Rule.

Is this all bad news for advisors? Far from it. Considerable opportunity seems to be on the horizon. For those advisors who run business models already in harmony with DOL requirements; congratulations you have a head start. This may be cliché, but change really is the only constant. Advisors and managers, who can study the landscape and strategically position their business for what's ahead, will be big winners. Here's why.

Consider these statistics:

- ["28% of advisors are currently considering retirement or changing careers"](#)
- ["For every eight advisers that retire, only three are being trained to replace them"](#)
- ["Bureau of Labor Statistics claims 30% increase needed in financial advisors through 2024"](#)

So let's get this straight. The DOL rule and age of the work force could create a void in the business. In the upcoming years, there could actually be a shortage of financial advisors...right as an estimated **\$30 trillion in wealth will change hands in the following decades.**

But as we mentioned the "old playbook" needs to be revamp and constantly improved. Advisors and managers who are willing to commit to reinvention and new ways of doing business could be big winners. Those who survive will likely survive well.

We love the following quote from a psychologist who specialized in working with Wall Street Traders and Portfolio Managers who "blew up" in 2008.

"Those who look ahead to challenges and use these catalysts to redefine themselves will be best positioned for tomorrow's opportunities." Brett Steenbarger Journal of New York Society of Securities Analysts, Volume 2 Winter 2009

We've geared our business to partner with advisors to capitalize as they explore these new opportunities. That's how we go beyond just being a great equity manager to being a trusted partner to your practice.

Let's go reinvent together.

-Gerry

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Berkshire Asset Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®). Berkshire Asset Management is a fee-based, SEC registered advisory firm serving the portfolio management needs of institutional and high-net worth clients. The Dividend Growth Composite contains portfolios invested in Berkshire's Dividend Growth Strategy with an equity allocation target of 90% - 100%. The Dividend Growth Strategy's primary objective is to generate a growing stream of equity income by investing in a diversified portfolio of equities with stable, high, and growing dividends. The benchmark is the S&P 500 Index. The index returns are provided to represent the investment environment existing during the time periods shown. For comparison purposes, the index is fully invested, does not include any trading costs, management fees, or other costs, and the reinvestment of dividends and other distributions is assumed. An investor cannot invest directly in an index. Gross returns are presented before management and other fees but after all trading expenses. Net returns are calculated by deducting actual management fees from gross returns. Returns reflect the reinvestment of dividends and other earnings. Valuations are computed and performance is reported in U.S. dollars. To receive a complete list of composite descriptions and/or a compliant presentation, contact Jason Reilly, CFP® Tel: 570-825-2600 or info@berkshiream.com. Past performance does not guarantee future results.

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