



Berkshire

DIVIDEND STRATEGY

Gerard Mihalick, CFA
gmihalick@berkshiream.com

46 Public Square
Wilkes-Barre, PA 18701

570.825.2600

"Casual Friday" Commentary

Casual Friday: Uber's Big Day + Avengers And The "Advisor Super Power"? – May 10th, 2019

Today's long awaited Uber IPO, priced at \$45, values the company around \$80 Billion. The initial trading will provide interesting stock market theatre, but the longer term implications of the "sharing economy" creates the greater ponderance. "Pinging" a ride is not only convenient and redefining travel, it's also reshaping how cities/infrastructures are laid out. Ride sharing is just the beginning. Boats, trucks, planes, equipment and real estate are a partial list of what could be accessed through sharing platforms. Many have emerged already.

Implications of the sharing economy, both social and economic, are vast. For example if capital equipment is sitting idle that could now be brought online, how does this change capacity utilization and therefore inflation? And what are the implications for monetary policy? Clearly it's deflationary, could keep rates low, provide broader growth and is therefore good for stocks and valuations. Many other industries to support the sharing economy will thrive ie. 5-g, internet of things and cloud computing. So in a market where clients are looking for good news, the sharing economy is atop the list of secular positives.

Does Uber really have a network effect?

People who believe in Uber's potential cite its "network effect". Here is a slightly "nerdy" video, but is one of the best explanations of network effect we've seen:

https://www.youtube.com/watch?v=yEminPU_7cc#action=share

...and this is just plain COOL. Imagine pinging your own personal aircraft from your phone to take you to that big meeting, long weekend or anyplace you wish to go!

<https://www.uber.com/us/en/elevate/>

The Avengers: Endgame has crossed the \$2 billion mark. And as the films actors display their super powers we ask...

What is your "Advisor Super Power"?

In a world where clients continue to hammer on fees, and low cost alternatives proliferate, why are some advisors losing the battle while others are thriving? The answer comes down to knowing what you're good at. Those who can't show (and prove) specific points of differentiation will struggle. But those who can articulate and quantify a very distinct set of skills maintain margins.

How do you gain a sustainable edge you can market to clients? For advisors, it's never as easy as being bit by a spider. You have to cultivate Super Powers based on specific concerns that resonate with your clients. For example:

- **Taxes:** Over half of the millionaires surveyed in this article said they are willing to pay more for an advisor who can help them navigate the recent tax reforms, while also minimizing their tax bill. Yet clients don't think their advisor is delivering - <https://www.financial-planning.com/news/financial-advisors-arent-talking-to-clients-about-tax-reform>
- **Cash Balance Pension Plans:** These plans are an underutilized tax opportunity for small professional practices. Imagine being able to help your best professional clients make tax-deductible retirement contributions up to \$300,000 by knowing them inside and out. It takes a little technical knowledge and coordinating of outside experts, but it's a "killer app" in this day and age.

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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.

- **Practice Acquisition:** Acquiring the practices of aging advisors is a common trend today, but it runs the risk of spreading an advisor thin. To make it work, advisors need to focus their skill-set on building client relationships and outsource everything else. For example, acquiring the skills of professional money managers frees up time for more client interaction.
- **Human Behavior:** What makes clients tick? What type of client are we dealing with or what type of client do you want to deal with? Mastering what drives different personalities to buy or sell, say yes or no, hello or goodbye helps us to turn a no into a yes.
- **Social Security Planning:** We know an advisor who does a monthly client workshop on social security planning as a retirement income concept. While many advisors bring in an expert from out of town, this advisor is so well trained he actually sells his teaching program to other advisors. He obtains at least 1-3 good clients (500k plus) each month.

Like Avenger movies, the possibilities are endless. The challenge is finding that one special skill that will help define you to your clients, particularly when you're knowledgeable about many different aspects of planning. But with so many of our advisor partners, we find it is an essential key to success. Ultimately, it's your super power that will make you a super hero for your clients.

Contact Berkshire:

Gerard Mihalick, CFA, Portfolio Manager, gmihalick@berkshiream.com or (570) 825-2600
Jason Reilly, CFP®, VP Advisor Distribution, jason@berkshiream.com or (570) 825-2600

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