Berkshire
DIVIDEND STRATEGY

Gerard Mihalick, CFA
gmihalick@berkshiream.com
46 Public Square
Wilkes-Barre, PA 18701
570.825.2600

"Silent Killer"….. in Your Practice

I see two large reasons why advisors fail to take their business to the next level.

The first reason is a non-specific marketing plan ("anyone with a pulse and money"). They never really develop a niche, a true brand or expertise they can leverage. Plus, they usually lack the discipline to turn away people who don't fit their plan, and end up being all things, to all people. Many fall prey to another more insidious, silent predator in their practice – one that destroys revenue, time, opportunity, and quality of life for the advisor.

"Clients who don't take your advice"

Imagine this totally fictitious scenario. (I am not picking on or recommending any asset classes). You are in front of a client/prospect. They have expressed interest in income oriented strategies and have $250,000 sitting in cash. You've researched a particular dividend strategy. It has a 3.0% yield, with good dividend growth prospects, and good inflation fighting criteria. The client says "yeah, but I can get a 4.5% yield with strategy XYZ at wire-house B" He's not really budging….

Do you?

- Send him packing?
- Change your recommendation to match the other firm to make a sale?

Let's look at the cascade of events that happen when you take path number two.

Regardless of whether or not you make this sale, you've caved. You've watered down your brand and expertise in the client's eyes. He now is convinced he knows better, and he now knows you need to "make a sale." This of course will taint every other recommendation you make. Knowing this, he will probably bang you down on fees. You are now a commodity.

Next you will spend a lot of time researching other products or strategies that you feel might match the offer from the other firm. This of course takes time, effort, and energy. Then you will spend more time presenting and convincing them on this strategy. So let's say he says "yes". Hooray! Now you've got a one off investment you have to monitor (more time) or worse yet you forget about it in the mass of other accounts where you have placated them in similar fashion.

Fast forward 18 months. To get the income where it needs to be in order to make the sale, maybe you had to drop down in credit quality. Maybe you neglected the fund's 20% allocation to bank debt or preferred stock. Interest rates went up 150 basis points and suddenly this fund has all kinds of interest rate sensitivity no one bargained for.

It has underperformed the rest of the market. Worse yet, the client can't understand why it's down in value.

Now you've got a client who is upset wondering what happened. They say there are no investment guarantees. Well, I'll guarantee one thing: he will forget this was his idea. You now go scrambling trying to calm this irate client (more time) and researching alternatives (more time). You've burned good will and risk a client spreading ill will. A vicious cycle ensues.

"It's Just Not Worth It"

The elite advisors I know don't spend time working with clients like this. They have a particular

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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.

target client profile, clear terms of engagement, and investment strategies they implement across their book. They do such a good job profiling clients and being the primary advisor by the time they get to asset class/manager the client usually says “whatever you think”. Building a business like this takes discipline and a focus on the long term. The so called easy way is often the hardest.

Many advisor consultants say “Don’t take small accounts”, I disagree - you can have a very profitable niche with small accounts, provided you can systematize the investment strategies and they take your advice. There are tremendous operational, investment and marketing efficiencies in this. And the irony about small accounts who take your advice vs. large ones who don’t, is that you will be so efficient (and likely have good performance) you’ll actually have the time for the forward looking activities that will get you those huge accounts. You’ll feel liberated and sunny.

So dump those accounts where they don't take your advice – but make sure you’ve got that elephant gun locked and loaded! You will have big game opportunity in front of you in no time. Happy Hunting!

For more practical business building ideas or information about our Dividend Strategy call or email me.

Best Regards,
Gerry

Gerard Mihalick, CFA, Portfolio Manager gmihalick@berkshiream.com or (570) 825-2600

Jason Reilly, CFP®, Strategy Specialist jason@berkshiream.com or (570) 825-2600