



Special to this issue:

Client Services: *Here's a software solution to your clients' questions about health insurance—and the taxes related to health-care costs. page 12*

Parting Thoughts: *If you're still subscribed to Financial Planning magazine, you should know that the editors believe that every single young, upcoming member of the profession is... a wirehouse broker.page 21*

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The View Outside the Box

Synopsis: *Here's a compilation of interestingly unconventional advice and insights to help you grow your firm, connect with your staff, better serve your clients and develop stronger internal leadership.*

Takeaways: *Give positive feedback in small ways, but often. Expand your prospect profile, and engage in client experience marketing. Break from the pack and create the firm of the future.*

Do small things often as a way to expand your leadership influence and energize your firm to new heights. Makes frequent relationship deposits and take withdrawals sparingly.

Embrace pain with purpose, and directional discomfort. Take strategic absences from your firm as a way to encourage staff leadership. Increase capacity with quiet hiring—which is actually not hiring at all. Replace social media marketing with feedback marketing and replace your marketing budget with enhanced client service and staff training. A new ‘species’ of advisory firm is evolving among us. Be a thermostat, not a thermometer. A 15% decline in the stock market results in a nearly 50% drop in an advisory firm’s M&A valuation.

These are some of the most interesting insights from

EARLY WARNING

The early bird discount for the Insider’s Forum conference (October 4-6 in San Antonio, TX) expires end-of-day May 5, so consider signing up before that if the conference is in your plans.

Sessions will include a discussion by talent recruiters on the current ways to attract (and price) talent acquisition, and another session on ways to create a hyper-personalized client experience with no more effort than you’re currently expending, plus a ‘futuristic thinking’ keynote by Angie Herbers, and the usual curated exhibit hall designed to enhance the attendee experience. (Plus a surprise keynote

by Bob Veres.)

Inside Information subscribers use discount code 23INSIDER (<http://www.insidersforum.com>).

And consider the the AICPA ENGAGE Conference in Las Vegas, June 5-8 - the best technical (tax planning, estate planning, best planning ideas) conference of the year, with multiple tracks on every technical topic (including a new technology track this year). There’s a \$100 discount if you use the BOBV23 coupon code—and you don’t have to be a CPA to attend. Link: <https://tinyurl.com/3su6ffh4>.)

presentations at NAPFA's recent Large Firm Forum in Ft. Lauderdale, FL. They're all counterintuitive, new and different, and they all require a bit of explanation.

bottom we looked into the faces of three animals that they prey upon.

The difference? Sprinkles pointed out that the predators' faces had their eyes set in front, so

"A thermometer will give you an accurate reflection of its environment. A thermometer will tell you what has been. If it is cold, the thermometer will tell you it is cold." In this sense, it can be compared to the prey in the earlier analogy.

Thermostats are more like the predators. "Thermostats," Sprinkles continued, "will determine what is going to be. If they sense that the room is cold, they will make sure that the room becomes more comfortable."

Concluding the tone-setting part of his talk, Sprinkles asked the audience whether they respond to their environment, or take charge of it. In their leadership roles, do they act like predators, like thermostats, or like prey, like thermometers?

Once you commit to that aggressive, opportunistic business culture, you want to build a team that is focused on supporting it. Sprinkles talked about the importance of 'yet,' of convincing your team that even though everything isn't where you (or they) want it to be, it is only a matter of time. *We are not there 'yet.'*

But will they believe you? The key to gaining that credibility is to find ways to acknowledge your team members in a meaningful, human way. "When you create a culture that constantly makes people feel important, then they will believe in you and your 'yet,'" said Sprinkles. "When I feel that you see me and value me and my contributions, I will trust you. I will believe in you. I will

***Sprinkles' core advice was deceptively simple:
build trust and loyalty with your team by
giving small appreciations often.***

Let's start with the opening presentation by Jonathan Sprinkles, a thought leader on the psychology of human connection and prolific author of 13 books on motivating teams at firms large and small. Sprinkles is an excellent person to start off a conference because he vibrates with energy, and mixes motivation with insight that people will talk about for the rest of the meeting.

Sprinkles' core message was that leaders can create more energy and effectiveness in their firms if they take the time to create meaningful connections with the members of their teams. He offered a variety of strategies, but always came back to the fact that the leaders set the tone, and it's not as hard as we might believe.

Setting the tone means creating a business environment that is constantly searching for opportunity. Sprinkles offered two analogies,

First, predators and prey. Sprinkles showed a slide with photos of three apex predators in the animal kingdom at the top, facing the camera, and along the

they could focus more intently, the better to search their environment for opportunities. They embody one of Sprinkles' principles: *if it is going to be, it is up to me*. "The predators," he told the group, "are the ones who say: *I am betting on myself. Today is my day. I am going to find my food. I must execute.*"

The eyes of prey animals are set more on the sides of their heads, an evolutionary adaptation which makes it easier for them to constantly scan for danger and, if necessary, run away from it. "The prey wake up every morning and hope nothing bad happens today," Sprinkles told the audience.

The message, setting aside the exploitative relationship between the two, is that you want to create a business mindset that is constantly scanning for opportunity and making things happen, not fearfully worrying about what might happen. Be proactive rather than reactive.

The other analogy was the thermometer vs. the thermostat. "A thermometer actually doesn't do very much," said Sprinkles.

be loyal to you. I will work harder for you. I will tell others about you. I will be the best advocate you've ever had, all because you make me feel important."

When Sprinkles talked about creating and maintaining that human connection, it was more about reminding the audience members of things that they knew, but had fallen out of the habit of practicing actively—the old adage that most of us know what to do, but we need to be reminded to do it. The tactics include simply telling staff members that you're grateful for their special contribution this week, and really for the things they've been doing all along. Asking people how their day was. Giving them a compliment. Listen when they speak, and let them know that they can count on you. Giving them hand-written thank-you

notes about their work; it might just say: *'I'm so glad you're here.'*

The mantra was consistency; several times in the presentation Sprinkle came back to a very basic formula: *do small things*

with it entirely.

Say what? Herbers pointed out that many advisory firms offer an up-front free financial plan to new clients as a loss leader that makes it more likely

Herbers told the audience that, to drive growth, they should do away with their minimums, and redeploy their marketing budgets toward improving client service.

often. "That is what makes the difference," Sprinkles told the audience. "Small things often. We earn trust and loyalty and connection by being a little more human and doing small things often."

Feedback/service marketing

When business consultant Angie Herbers of Herbers & Co. took the stage, she wasted no time before giving the audience shockingly nontraditional advice about how to drive organic growth. Today, she said, very few advisory firms are achieving significant organic growth—that is, bringing in new clients and new business outside of M&A activities.

So the growth formula is to be more active on social media and constantly ask your clients for referrals, right? Not exactly.

The firms that are growing the fastest in the advisory space, Herbers told the audience, consciously 'invest' in future client value. Meaning? Lower your AUM minimum or do away

that they'll sign on for a longer-term relationship. Instead, she recommends that advisory firms start to market in the blue ocean; to take on younger, less-profitable clients as a loss-leader.

"Bring them in and grow them," said Herbers, "and recognize the future value of those clients." They may be initially unprofitable, she admitted. But as they grow their assets and become more complex, they will produce the future value of your firm.

Later, she said that the fastest-growing advisory firms have recognized that a retiree with a \$2 million portfolio presents a smaller net present value to the firm than a person in her 30s who is building wealth and may be a client for 40 years. So you build a 'portfolio' of these younger clients, who represent the future value of the firm. Herbers added that if you try to market to that person who is currently in her 30s when she is finally about to retire with significant assets, there is a good chance that she will already have a relationship with another advisor.

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As a second growth strategy, Herbers recommended that the audience members do away with client segmentation. Instead of providing the best service to ‘A’ clients who pay the most, and scaling back service for less wealthy ‘B’ and ‘C’ clients, treat

And how, exactly, do you raise the quality of service? One recommendation is to improve your response rate when clients contact you or the firm. “Consistent timely responses to client requests is what triggers referrals,” Herbers said, adding:

Client experience marketing is simply creating a constantly-improving service model that drives more referrals.

everybody the same, as a valued client.

Okay... Why? Herbers cited research showing that most firms have a near-100% retention rate of wealthy clients, but just a 62% retention rate for less-wealthy mass affluent (‘C’) clients. That tells her that younger, less-wealthy ‘C’ clients in their peak earning years are not being properly serviced—and yet they are the ones who will, over time, create compound growth in firm revenues.

“They feel that lower level of service,” Herbers told the audience. “And so they’re less loyal.” (Can you blame them?)

That led to her third recommendation for driving organic growth, which was to stop spending money on traditional marketing activities, and invest that money instead in a much better client experience. “The client experience is what gets the best marketing results,” Herbers told the audience. “Because it drives referrals.”

“response time is the number one factor in client satisfaction and loyalty. But,” she said, “who tracks response times?”

The second way to raise your firm’s quality of service is to constantly improve the skills of the people who are providing it—which means promoting the increasing professionalism and skillset of advisors and back office staff. Herbers said that every firm should have a line item in their corporate budget for staff training and for identifying and acting on new ways to improve the client experience.

“Great advisor training and building a great client experience trumps a great marketing program every time,” Herbers told the audience.

How would this work in the real world? A panel conversation featuring Michael Chasnoff, founder of Truepoint Wealth Counsel, Jennifer Faherty, Chief Customer Experience Officer at Modera Wealth Management,

and Aaron Gray, Director of Experience at Buckingham Strategic Wealth, fleshed out the idea of client experience marketing.

Chasnoff told the audience that his firm’s primary ‘tool’ for constant improvement of the client experience is to make a routine business habit of gathering very specific client service feedback—through the creation of client communities. His firm now manages three separate ‘councils’ made up of clients who are executives at Proctor & Gamble; who are business owners; and who are women of wealth—who help the firm identify new and better service models for them and others like them.

“We want to understand our clients ‘why’ and make it our mission to support that,” Chasnoff told the group. “He added that soliciting feedback in this way “has turbocharged client referrals.”

Faherty represents a new staff role in planning firms—the chief client experience officer—a position that had been foretold in the white paper written by Matthew Jackson and this writer several years ago. Echoing Herbers, Faherty told the audience that Modera has found that client service drives organic growth. “Where possible, we let clients design our service model for them.”

To accomplish that, Modera conducts an annual client survey with different questions each year, and Faherty is responsible for creating the questions and

summarizing the results to the leadership team. In addition, the firm conducts client onboarding interviews 6-9 months after clients sign on with the firm. What did they like about the process? What didn't they like? How could it have been improved?

The firm's 'best' clients are spoken with directly, asking how the firm could better serve them, and what pain points they might have that are not being addressed.

As Buckingham's Director of Experience, Gray has created two initiatives that deepen the firm's client relationships: very specific, customized client surveys that focus on different topics each year, and a routine where advisors are required to call clients for information-gathering discussions outside the office: *"Hey, I'd love to find out what you like and don't like about what we do with each other."*

Echoing Herbers' advice, Gray said that feedback marketing has been very effective in driving client referrals to new levels. Echoing Faherty, he said: "We're letting our clients design the company's service model, and we've learned that this is a great way to turn clients into advocates."

Vetting acquisitions

If you want to drive *inorganic* growth, then you need a different set of skills. A presentation by Greg Friedman of Wealthspire Advisors and Cynthia Greenfield of Culture Keen

offered advice on how to look beyond the numbers and metrics of a potential acquisition, and perform a qualitative assessment of the firm you're looking to purchase. The same advice would probably apply to the leadership of a company that is being acquired and wants to maintain its client service standards and firm culture post-acquisition.

Friedman said to look first at the quality of a firm's 'people management' activities, whether

the advice that Sprinkles was offering. Friedman recommended that leaders give their employees a voice, and conduct regular employee engagement surveys. Encourage ideation, and respond to feedback. Create opportunities for internal connection, host off-site retreats and create social events for the staff. Dedicate time to share the leadership's vision, and encourage routine peer recognition.

This presentation meshed

***When vetting a potential RIA acquisition,
look past the numbers
to the qualitative measures of firm dynamics.***

the staff members are respected, seen and able to be authentic. Do they have clear performance expectations and career opportunities? Do they feel like they are part of a community?

Greenfield said that you also want to dig into how the people at the firm communicate. Among the clues: what are the languages and pictures on the website? Are employees participating in team meetings? What is the onboarding experience of new staff? How are goals set, measured and rewarded? Are staff members involved in setting their own annual and career goals?

This advice, turned around, can be applied to dressing up a firm for sale: creating an attractive acquisition target—and it echoed, in a less dramatic way,

with another by Dan Seivert, CEO of Echelon Partners, one of the leading M&A consultants in the advisor space. Seivert said that if you commit to consciously building M&A value in your firm, it will give you a compass for strategic planning decisions and how you invest in the business.

Early in the presentation, he showed a slide that outlined his valuation methodology—which, unfortunately, he didn't make available to the audience after his presentation. But the most interesting about it was how detailed it is, with different percentages assigned to, in order:

1) **Historic and projected growth.** This factor was assigned the highest weighting. Seivert focuses on the historic and projected growth of assets

and revenue, including growth in wallet share from existing clients, growth of new clients, the retention rate and the withdrawal/decumulation rate for older clients. (Later he talked about the projected attrition rates from aging clients who pass away.)

2) Financial performance. This includes things like how

by the hours spent, what sort of average hourly rate would you get for your team?

4) Human capital. Seivert said that he looks at a firm's staff turnover and the amount of industry experience a would-be acquirer would be gaining in the deal. Does the firm conduct an annual employee satisfaction

place? Are there successors in place? How sticky are the clients and employees—meaning, how likely are they to leave if the firm is acquired?

8) Marketing—meaning organic and inorganic growth and success in the firm's marketing efforts. Does the firm employ effective organic marketing strategies? How much do they cost?

“In the valuation process, we have anywhere from five to ten questions that relate to each of these,” Seivert told the audience. “And then we give each category a decile ranking, and a score, and the scores are each multiplied by the weight, which translates into an EBITDA multiple.”

The EBITDA is calculated straightforwardly: Total revenue minus compensation expenses minus non-compensation expenses. The operating margin might be \$1 million, the various items on the scorecard might generate a multiple of 8, so the firm would be valued at \$8 million.

Seivert noted that the biggest thing buyers look for is whether the firm is generating organic growth, and whether there is a proven process for continuing to grow. But size is also a factor. “Firms hit a really big valuation milestone when they reach \$3 million in annual revenues,” he said. “At that level, you're also hitting \$1 billion in AUM, and your firm is viewed as more stable,” he added. “By that stage you usually have a more fully-fleshed-out management team,

The biggest thing acquirers of RIA firms look for is whether the would-be acquisition is generating organic growth through a proven process.

much the staff is paid, executive compensation, and generally the cost control at the firm. Seivert also looks at the average size of client fees, which are given different weights depending on whether they come from AUM, or commissions, or hourly work.

3) Clients and client service metrics. The assessment looks at average client size (the larger the better, apparently), any interesting data from a client satisfaction survey and the quality of the questions in it, if there is a concentration of clients in one sector (more risk) and whether advisors act as solos or as members of a team.

“We also want to look at the efficiency of your overall client service process,” Seivert explained. “For example, how many hours a year, on average, does your team spend with each client, and how does that look relative to the annual fees? If you were to divide the annual fees

survey? Does the firm offer work-life balance and career pathing? Have the staff members been improving in terms of taking on additional responsibilities, or are they stagnant in their current roles?

5) Management process. “We're looking at employee training,” said Seivert, “and the firm's relationships with the vendors, as well as its compliance history, investment results, the staff culture and how protected is the business in its market.”

6) Business model. Is the firm focused on pure AUM services, or does it include financial planning in the value proposition? Is the asset management active vs. passive? (Later, in response to a question, Seivert noted that passive investing tends to be less labor-intensive, and therefore potentially more valuable.) Is life planning included or not?

7) Transferability. Is there a business continuity plan in

which buyers and investors view as having more redundancy, and that makes you a better investment to make.”

From there, Seivert offered three interesting take-aways, although one of them might have been inadvertent. First, he said that most private equity firms, over their entire portfolio, tend to earn returns around 10% a year on their investments. It is unusual that they can get a 20% annualized return.

“But most of the PE firms investing in our business are getting 25-35 percent IRRs on their investments,” Seivert told the audience. “That tells us that most wealth management firms are still selling their firms for too low a price. I would be wary,” he added, “of the general conclusion in the media that valuations are too high. Because I would say they are, right now, still inappropriately low compared with the overall growth and wealth creation opportunities that they represent.”

The second interesting take-away? “A lot of people think that there might be 20-50 different private equity firms that are moving into this space,” said Seivert. “But we keep track of this number, and there are actually, now, over 200 private equity firms that are investing in the wealth management profession.”

Finally, as the presentation came to a close, some members of the audience were still scratching their heads at the complexity of Echelon’s valuation model, which might lend itself to hyper-

sensitivity to small inputs, which would lead to big valuation differences.

Some of this concern was validated when Seivert was asked by a member of the audience how a downturn in the stock market

would affect valuations.

I think most people in the audience were expecting him to say that these periodic fluctuations were not really that relevant to a buyer with a long time horizon. But as Seivert walked us through how a market downturn would ripple through his model, the conclusion was very different. A 15% market downturn would lead to a roughly 12% decline in total client portfolio value. If a firm with \$1 billion AUM’s average AUM fee is 70 basis points, that creates a revenue decline of \$840,000 in that year.

Now suppose [Seivert continued], pre-downturn, the firm had a 30% profit margin and a \$2.1 million EBITDA. Post-downturn, the EBITDA would decrease (temporarily, remember) by 40%. At the same time, in a down market, buyers tend to reduce the multiples they’re offering.

The bottom line? Instead of offering 10 times an EBITDA of \$2.1 million, the prospective buyer would be offering nine

times an updated \$1.26 million EBITDA--taking the valuation from \$21 million to around \$11 million.

Which, Seivert noted, apparently without noticing a *sotto voce* gasp from some of the

attendees, represents a decrease of 47%.

Seivert did note that many firms will cut expenses during market downturns, which would tend to offset some of that decline by raising EBITDA just a bit. And he said that sometimes firms will put an acquisition on pause until the markets recover. Later, in response to another audience question, he said that sometimes firms might be able to negotiate based on EBITDA over longer time frames.

Firm of the future

It’s always awkward to cover your own presentation, but... I also gave a speech, talking how the financial planning profession is evolving, and how that evolution will result in a new ‘species’ of advisory firm. What will that firm look like?

The idea behind the presentation is that newer and sometimes more effective creatures arise in the wild when a small handful of the species living

Seivert told the audience that a 15% decline in the market can lead to a 47% decline in the value of an advisory firm.

in a comfortable but increasingly crowded environment (labeled 'Peak 1' for purposes of the presentation) will colonize a new environment and adapt to it, eventually evolving a superior set of survival characteristics (labeled 'Peak 2'). A simple evolutionary

Veres outlined the characteristics of a Peak 2 firm that is in a higher evolutionary state—meaning: more competitive and offering more value to clients. These were broken down into four areas:

Management.

Where

The advisory firm 'species' of the future will increasingly specialize in a particular target clientele, who may be located anywhere in the country.

example is the monkeys jumping out of the increasingly crowded tree environment (Peak 1) to explore the open savannah, eventually developing different traits and skillsets more suited to the new environment. The ultimate result is a new species that we call humans (Peak 2).

In the financial planning world, the analogous evolution, in the past, was a handful of advisors leaving the comfortable but increasingly crowded commission marketplace to pioneer a new fee-only AUM revenue model, which eventually became the professional mainstream.

What was once Peak 2 is today's Peak 1, Veres told the audience. Today, many firms are competing for the same resources (wealthy clients) using similar marketing (referrals, and blogging, etc.), offering an increasingly commoditized value proposition (AUM and retirement planning). Is it any wonder that organic growth across the profession seems to be stymied?

today's firms are primarily managed by a founder who splits his/her time between running the firm and client service, the future Peak 2 firm will be managed on a day-to-day basis by a full-time CEO, with the founder taking on the roles of visionary and mentor. Peak 2 firms will create a staff-first culture that offers routine, systematic training and mentorship, with a goal of creating leadership at all levels, with management decisions moved down the organizational chart to the people who are actually performing the client service and back office functions.

Client Service.

The presentation defined the role of a chief experience officer who (see previous presentations) becomes an advocate for constant improvement in the firm's client experience. That person would also help retrain operations staff to take on more client-facing roles, and might also become responsible for helping each staff member create their own

marketing program within the firm's overall outreach.

Peak 2 firms of the future will specialize in particular types of clients, and develop very deep expertise in their unique needs and challenges. Veres noted the usual objection, that there are not enough members of any one specialty in the immediate market area, by noting that post-Covid, clients are increasingly comfortable meeting with their advisors remotely. If a new doctor just coming out of residency is looking for a financial planning relationship, would she choose the generic retirement planning 'fiduciary' advisory around the corner, or the firm on the other side of the Mississippi that specializes in all the challenges facing young doctors just coming out of residency? The profession is going to have to adapt to the realities that they can work with clients anywhere—and every advisory firm in the country can now compete in their own backyard.

Marketing. Peak 2 firms will address their specialties directly on their website, offering stories about how they helped their clients address challenges that are commonly faced in the particular area of their specialty. Larger firms will adopt multiple specialties, and Veres noted that this will drive another change in the marketing process, a fairly recent innovation called 'propersonal marketing.'

On the company website, prospects will find, not posed mugshots, but photos of leaders

and staff engaged in more personal activities, helping the prospects get to know who they are and to find areas of commonality. But they will also turn to the individual, personal social media accounts to find out more. Peak 1 was all about convincing the public that the firm and its advisors were professional and competent. Peak 2 understands that in today's wide open social media society, authenticity trumps credibility.

Technology. Peak 2 firms will move beyond generic planning tools that focus on retirement sufficiency, and CRM programs that track prospecting and client birthdays. Larger firms are already creating their own digital experience for their clients, using their client portals as shared workspaces rather than a place to dump in portfolio reports. Service models will be built into workflows through specialized software like Hubly or project management tools like Asana, where the software will do much of the work performed currently by paraplanners and back office staff. (They were going to be repurposed for client-facing roles, remember?) The planning tools will be specialized; examples today include Elements for younger clients, Income Lab for pre-retirees, and Holistiplan and FP Alpha for tax planning and specialized services. More will follow.

Several times in the presentation, Veres warned the audience about an 'adaptive valley' that is part of the

evolutionary process, where the monkeys jumping out of the trees feel uncomfortable trying to scuttle along on two legs and are largely unprepared for the predators on the savannah. In the planning space, this represents a time when an evolving firm has to take some steps back and recreate itself to adapt to a very

brands," she said, "will be more successful in the future than those firms where everybody looks alike."

You might also consider dismantling another bias: that the prospective candidate must have a financial services degree or have previously worked in the profession. Healy said that many

The most successful firms will eliminate recruiting biases, by recruiting candidates who are diverse by ethnicity and even by their backgrounds.

different clientele and ways of interacting with it. But there could be a significant first-mover advantage for the brave firms that drop out of the Peak 1 world and pioneer Peak 2. Look at how the early fee-only firms became some of the most successful wealth management enterprises—and, interestingly, more than a few of them were in attendance to hear this presentation.

Adapting to diversity

Kate Healy, Managing Director for the CFP Board's Center for Financial Planning, came to the stage to advise the audience on how to cope with a very rapidly-evolving workforce, and get ahead of the trends. She advocated that you dismantle bias in your recruiting processes as you prepare for an increasingly Black, Hispanic and Asian population future. "The inclusive employer

advisory firms have expanded their talent outreach to include Starbucks baristas, waiters, corporate project managers and teachers. "Clients can be a great networking source for new talent," Healy added.

The workforce of the future, Healy told the audience, will be diverse, data-literate, comfortable with technology (and AI), and the candidates you interview will be looking for a firm that is committed to equity, and visibly cares about the environment and the well-being of society.

She talked about 'quiet hiring,' which is not hiring at all; it is looking for new opportunities for existing team members, creating new roles that will keep your staff talent challenged. In order to accommodate the need/desire for flexible hours, she said that some firms are allowing people to work just six months of the year, or having two people

share a 40-hour-a-week job.

Finally, Healy said that advisory firms are increasingly going to have to address what she called ‘skill gaps’ in their new hires. “Many Gen Z people are not bringing in the skills to be immediately successful,” she warned the audience. “The Gen

bored with the managerial and client work they’ve been doing for 30-40 years, and may not realize that they can transition to a more meaningful mentorship role for key staff members.

In his own firm, Hehman has focused on giving his team members a voice in staff meetings,

responses,” Hehman told the group. “It really lets me know how people feel about the firm, and the answers have become a great source of new ideas.”

In those meetings, Hehman is open to what he called ‘directional discomfort.’ That means that sometimes a staff member will disagree with one of his decisions or with the direction of the firm overall. “If they dare to disagree with you about the firm, that means they care about it,” he said. “If they challenge you, that tells you that they feel a part of what you’re doing. I’ve seen people leave their firms,” he added, “because they never get a chance to have those conversations.”

In fact, this tough-love feedback can be the key to the firm’s evolution. “We are usually comfortable with where we are, especially the leadership team,” said Hehman. “But there is a constant need to break out of our comfort zone, because often if we continue down the same path, we’ll end up with older staff, older clients and no diversity. So the question becomes,” he added, “who will provide the energy to make that push? I’m constantly looking for: who on my team is willing to challenge the status quo?”

This introduced the concept of ‘pain with purpose.’

“The challenge that you come up against when you invite frank staff feedback,” Hehman told the group, “is that you might have to let go of something comfortable. You’re going to be challenged to endure the

If junior staff members challenge the leadership about a key decision, it means they care about the firm.

Z worker is not prepared to work 8 hours a day in your office, and will prefer texting to face-to-face communication.”

Developing leadership

Finally, the conference featured a session focused on developing leadership in the next generation of an advisory firm’s staff. The session was billed as a panel discussion, but it was actually a hybrid: Eric Hehman, of Austin Capital Management, gave a presentation, and then invited up some advisors who had been young staff members of their firms, and eventually ascended to leadership roles.

Hehman has been on both sides of the leadership discussion; he was a successor at his firm who is now CEO and actively developing new nex-gen leaders to take on various responsibilities. He said that he has discovered, in his interactions with other CEOs, that many of them have become

and stressed the importance of taking their feedback seriously. To facilitate leadership skills, he’ll give staff members a chance to take charge of a small committee—which could be as simple as deciding what the firm should stock in the lunchroom; in other words, a chance to lead in an area where failure doesn’t materially endanger the firm’s survival. At Austin Capital Management, each staff member creates a personal development plan in service to the vision of the firm, and can propose expanding their role to increase the firm’s capacity. (This, of course, echoes Healy’s ‘quite hiring’ concept.)

Hehman’s mentorship role includes a meeting with each staff member at least once a quarter; twice a quarter with managers. And he has begun posing an interesting question to staff members: *‘If you (the staff person) were given a \$100,000 budget, where would you spend it on the firm?’* “I get very interesting

discomfort of changing things that will move the firm forward, which is never easy.”

Finally, Hehman told the audience that he has seen advisor teams become overly reliant on the CEO’s decision-making. “Being there always can stunt their growth,” he said. “They will get in the habit of turning to you for decisions that they can make themselves. Most leaders never let their staff struggle with decisions,” Hehman added. “And that becomes a weakness for the firm as a whole; a deterrence to the next leaders who might be ready to step up.”

The solution? Hehman recommends taking a ‘strategic absence’ once in a while. “Take a week off, don’t check emails, and see how the firm handles it,” he recommended. He himself finally took a deep breath and took a month off and unplugged, and came back to find that the firm had run just fine without him.

And the experience provided an unexpected bonus: Hehman found that some of the people who he expected to become leaders of the firm hadn’t taken on responsibilities, while others who he might otherwise have overlooked stepped up. “It was very enlightening in ways that I wouldn’t have predicted beforehand,” he said.

The panelists included Katrina Hartsel, who serves an interesting new role of Director of Employee Experience at Truepoint Wealth Counsel; Samantha Macchia; President/

CEO of Summit Financial Strategies; and Truepoint Client Service Associate Sarah Hayes. The conversation focused on

There were obviously many take-aways from the meeting, and I don’t think I’m the only one who noticed that many of the insights

CEOs might be inadvertently holding back their key staff people by always being there to make decisions.

advice for young staffers, that they should embrace opportunities to take on additional work, and especially look for those precious leadership opportunities when they arise. “You really want to take every opportunity to solve problems,” said Hartsel, saying that she, herself, took on the job of creating the employee handbook for her firm when everybody else was too busy to delve into it. Hayes saw the opportunity to take the lead in an initiative to serve middle-market clients (Herbers’ advice, remember).

Hehman brought up the idea of ‘relationship deposits’ that all of us make when we invest our time and attention in another person. “We consciously make them, and we ask others to make them in each other,” he told the audience. “You need to contribute, to make those deposits in the relationship bank, so you never overdraw the account when there’s disagreement or conflict.”

Macchia added that at her firm, staff members and leaders are required to consciously make seven ‘relationship deposits’ for every withdrawal.

presented during these two days would be relevant to pretty much any advisory firm. NAPFA has so far restricted its Large Firm Forum to, well, larger firms.

I completely understand that NAPFA wants to maintain some space between its Spring and Fall conferences and this unique conference event. But I found myself wishing that the door to the Forum could be opened up just a crack to ‘large firms and any advisory firm that is experiencing significant growth challenges, whose goal is to create an enterprise in the planning pantheon.’ (Leaving out the 70% or so advisory firms that are lifestyle-oriented and not terribly interested in growth and enterprise management issues.)

That would result in a bigger, more diverse meeting, and give the NAPFA organization a leg up on addressing the needs of the large (and Peak 2) firms of the future.

Just like how advisory firms can drive organic growth by opening their doors to less-wealthy clients who are committed to their own growth. ■

Comprehensive Healthcare Planning

Synopsis: *Increasingly, clients are asking for help as they try to navigate the health insurance system and related tax issues. Here's one solution.*

Takeaways: *Caribou's software makes insurance recommendations without commissions, and assesses clients' risk tolerance and financial situations. Its record keeping features help determine whether healthcare costs are worth itemizing.*

Christine Simone, founder and CEO of a software company called Caribou (<https://www.caribouwealth.com/>), believes that the next frontier of financial planning advice is healthcare planning.

"The profession is evolving to make financial planning more holistic and comprehensive," she says, "and finding the right health insurance, and navigating the tax issues related to health costs, can be a big part of clients' financial picture. But," Simone adds, "most advisors don't have the right tools to deliver the kind of impartial and comprehensive advice that clients are asking for."

After working in the healthcare field and seeing a hugely inefficient marketplace for care and insurance, Simone created Caribou, to fill that gap in the planning toolkit—and more importantly, to do it in a way that fits the fiduciary planning culture.

How? The first element of the Caribou tool is a comprehen-

sive database of Medicare, various Medicare Advantage offerings, and all the marketplace health insurance coverages that are available in the county where clients reside. Yes, there are health insurance agents who can shop those

Advisors using Caribou can assess clients' tolerance for out-of-pocket risk in the event of a worst-case health event.

markets, but Simone points out that their commission compensation gives them incentives and biases that fee-compensated financial planners find problematic.

"A Medicare Advantage plan will pay, on average, over \$700 to an agent if they place a beneficiary in that plan," says Simone. "But if they recommend an original Medicare plan, they'll make \$400 or so." Guess which kind of plan the advice tends to be

weighted toward.

A normal agency search will scan the market for different coverages. But Caribou fits the planning model by learning more about the client before advice is rendered. It identifies a clients' tolerance for the risk of out-of-pocket expenses in a worst-case scenario, much like advisors assess how much downside volatility clients are willing to stomach in their portfolios. "A lot of clients don't realize how much they might have to pay for different situations under different insurance coverages," says Simone. "Just like with investments, some clients are willing to take financial risks in return for lower premiums, while others want to be safer when it comes to how much is at risk."

Caribou also monitors clients' prescription drug use and compares it with the formulary of a client's current drug coverage plan—and recommends changes if the plan drops coverage of an expensive drug. The service also identifies less expensive ways to purchase those medications, either with online purchases, switching to a generic version of a branded drug, and/or switching pharmacies to reduce costs.

And finally, there's the tax aspect of the healthcare planning equation, which the typical health insurance agent is unequipped to address, but which falls directly into the financial planner's wheelhouse. Based on the data provided and the specific client location, Caribou will calculate whether that client or family will qualify

Income *

This information is only used to calculate subsidies and surcharges for insurance. Taxpayers under 65 might be eligible for subsidies depending on current income. Ballpark only.

2021

Reported Income

\$ 208,564

2022

Reported Income

\$ 200,000

2023

Expected Income

\$ 105,600

What is Modified Adjusted Gross Income (MAGI)? Click here to learn more.

To calculate your Modified Adjusted Gross Income (MAGI), start with your AGI found on line 37 on form 1040 (line 4 on the 1040EZ, or line 21 on the 1040A). Then, add the following, if applicable:

- Non-taxable Social Security income, found on line 20a minus line 20b on the 1040.

- Please select -

Single

Married filing jointly

Married filing separately

Domestic partners filing separately

Head of household

Qualifying widow(er) with Dependent Child

I didn't file a tax return

Would you want access to a Health Savings Account (HSA) if one were available?

☒ Yes

☐ No

Which best describes how you would like to choose your doctors and hospitals?

☐ I'm comfortable being restricted to doctors and hospitals within my plan's local network.

☒ I want the flexibility to choose doctors and facilities within a larger geography, including other states.

Please rank your preferences for your new insurance plan.*

Click, drag, and drop your preferences in order of importance with 1 being the most important. You must order all options to save answers.

1 **High plan rating**

2 **Lowest monthly cost (monthly premium)**

3 **Recognizable insurance carrier (eg. UnitedHealthcare)**

for the premium tax credit. And it also makes it relatively easy for advisors to give tax advice around their clients medical expenses.

“People who have medical procedures often don’t know when they can take a tax deduction, so they just take the standard deduction,” says Simone. “But we track all the expenses, and combine that with the other client information so that advisors can give tax advice on their clients’ medical costs.”

By collecting current and future income data, Caribou can also help advisors appeal their clients’ IRMAA surcharge for Medicare coverage when they retire and their income is reduced.

The goal, Simone says, is to address all the healthcare cost questions that clients are asking about their own situation and, increasingly, about their adult children—and a few things that clients don’t know to ask about.

Shopping the market

So how does Caribou work? Advisors input their cli-

Medications

Medication details are used in order to optimize drug coverage across different plan options. Details such as dosage, frequency, and type of administration all impact costs.

Simvastatin 20 mg Tablet, Film Coated

90 X Every 3 Months

Add Medication

Healthcare Providers

List your household's preferred healthcare provider(s).

Medical professionals listed here will be searched for network participation.

Back

Medications

Medication details are used in order to optimize drug coverage across different plan options. Details such as dosage, frequency, and type of administration all impact costs.

How to read your prescription label (Click here to open and close)

lipitor

Lipitor

Atorvastatin Calcium

Amlodipine Besylate And Atorvastatin Calcium

Caduet

Lisinopril

Healthcare Conditions

Your health conditions determine how much you might expect to spend on healthcare and is not shared with anyone but you. Information is used exclusively for that purpose and is not shared with anyone but you.

High cholesterol

Diagnosis Date: Before 2021

Add Health Condition

Medical Treatments and Procedures

Upcoming and recent surgeries, medical procedures, and treatments determine how much you might expect to spend on healthcare and are important to consider if you are switching health plans. Examples include joint replacement surgery, cataract removal, colonoscopy, chemotherapy, etc.

Back

List any recent and upcoming surgeries, medical treatments, and/or medical procedures.

Upcoming and recent surgeries, medical procedures, and treatments determine how much you might expect to spend on healthcare and are important to consider if you are switching health plans. Examples include joint replacement surgery, cataract removal, colonoscopy, chemotherapy, etc.

Surgical Procedure/Medical Treatment*

Hip Replacement

Surgical Procedure/Medical Treatment Date*

March 2023

Save

Sample Medicare Report Output

Household tax filing status: Married, filing jointly.

Social Security Benefits Status	Part A	
Yes, currently collecting	\$ 0 / month	
Yes, but not currently collecting	\$ 0 / month	
Not eligible (paid Medicare taxes less than 30 quarters)	\$ 499 / month	
Not eligible (paid Medicare taxes between 30-39 quarters)	\$ 274 / month	

Files An Individual Tax Return With MAGI Of:	Part B	Part D
\$ 91,000 or less	\$ 170.10 / month	\$ 0 / month
Above \$ 91,000 up to \$ 114,000	\$ 238.10 / month	\$ 12.40 / month
Above \$ 114,000 up to \$ 142,000	\$ 340.20 / month	\$ 32.10 / month
Above \$ 142,000 up to \$ 170,000	\$ 442.30 / month	\$ 51.70 / month
Above \$ 170,000 up to \$ 500,000	\$ 544.30 / month	\$ 71.30 / month
\$ 500,000 or above	\$ 578.30 / month	\$ 77.90 / month

Medicare Original		Medicare Advantage: AARP Medicare Advantage Choice	
Monthly Part A Premium	\$0.00	Monthly Part A Premium	\$0.00
Monthly Part B Premium (incl. IRMAA)	\$340.20	Monthly Part B Premium (incl. IRMAA)	\$340.20
Medigap: BCBS IL/TX/NM/OK Plan G			
Est. Monthly Premium	\$171.55	Est. Monthly Premium	\$0.00
Deductible	\$233.00	Deductible	\$0.00
Out-of-Pocket Maximum	\$233.00	Out-of-Pocket Maximum	\$6,700.00
Prescription Drug Plan: Aetna SilverScript SmartRx			
Est. Monthly Premium	\$6.90	Est. Drug Monthly Premium	\$0.00
Monthly Part D IRMAA	\$32.10	Monthly Part D IRMAA	\$32.10
Est. Monthly Fixed Fees	\$550.75	Est. Monthly Fixed Fees	\$372.30
Est. Annual Drug Costs	\$12.00	Est. Annual Drug Costs	\$0.00
Worst Case Financial Responsibility (est. Medigap Deductible + Annual Drug Costs + Annual Fixed Fees)		Worst Case Financial Responsibility (est. OOP Max + Annual Drug Costs + Annual Fixed Fees)	
\$6,854.00		\$11,167.60	

ent's name and email address, and Caribou sends that person an invitation and a link, which takes them to a questionnaire that asks their gender, their approximate income and tax filing status, whether they're smokers and their alcohol use, medications they're taking, their doctors, their hospital and their pharmacies, and any surgical procedures they might have coming up. They're asked if they like everything bundled into one plan, or are willing to carry three different cards. Are they willing to go through the protocols of obtaining a referral when they need to see a specialist?

Why ask about future procedures? "You wouldn't want to put somebody in a high deductible plan if they're having a baby this year, or they have a big hip replacement or other surgery planned,"

Simone explains, adding that this information is not shared with any prospective insurance providers.

The output will depend on whether the client is becoming eligible for Medicare/Medicare Advantage, or is rolling off of an employer's health insurance and shopping the marketplace. In the former situation, the risk tolerance issue comes into play; the Advantage plans will have low or sometimes no premiums, but the out-of-pocket expenses are largely unknown. "Advisors understand that every client has a risk profile or risk tolerance," says Simone. "But when people sign up for high-deductible plans, or high out-of-pocket max plans, they don't understand that they're exposing themselves to way more risk than they would be if we were able to reduce that and pay a little

more monthly. There's a tradeoff that we make explicit to them."

Caribou will provide clients with a report that lists the various Medicare, Medigap and Part D premiums (based on the income information to calculate IRMAA surcharges, if any), and the estimated out-of-pocket drug costs after Part D coverage kicks in. These are totaled up for traditional Medicare + Medigap + Part D coverage vs. what Caribou has determined is the best Medicare Advantage plan in the client's county of residence. Clients can see not only their monthly costs, but also their "worst case financial responsibility"—the out-of-pocket costs that they'd be on the hook for if they were to incur significant medical expenses in that year. (See sample output.)

If the client is under age

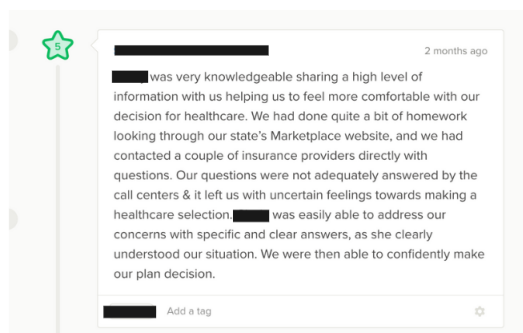
Planning for Higher Costs (Pre-65 Example)

Current Health Coverage

	Monthly Premium	Out-of-Pocket (In-Network)
Sedera - Cost Sharing	\$570.00	\$0.00
Monthly Fixed Cost		\$570.00
Annual Fixed Cost		\$6,840.00
Maximum Exposure* (In-Network)		\$6,840.00

* Maximum Exposure is the estimated annual "worst case" scenario for in-network, covered medical expenses. It is calculated by adding premiums to the out-of-pocket maximum.

	Low-Cost EPO Bronze option	PPO Bronze Option	Low Deductible Silver Option
Plan Name & Carrier	Community Health Plan of Washington Cascade Select Bronze	Pacific Source Health Plans Navigator Bronze 7000	Molina Cascade Silver
Summary of Benefits	Link	Link	Link
Plan Type	EPO	PPO	HMO
Metal Tier	Bronze	Bronze	Silver
Star Rating	New plan - not rated	5/5	4/5
Est. Monthly Premium	\$1,011.84	\$1,305.35	\$1,399.24
Deductible (In-network)	\$12,000.00	\$14,000.00	\$5,000.00
Drug Deductible	Included in Medical Deductible	Included in Medical Deductible	Included in Medical Deductible
Out-of-Pocket Max (In-network)	\$17,100.00	\$17,100.00	\$17,000.00
Est. Healthcare Use Costs	\$1,342.92	\$1,297.80	\$1,047.12
Est. Annual Fixed Costs	\$12,142.08	\$15,664.20	\$16,790.88
Est. Total Yearly Healthcare Costs (Est. Healthcare Use Costs (+) Est. Annual Fixed Costs)	\$13,485.00	\$16,962.00	\$17,838.00
Maximum Exposure (In-network)**	\$29,242.08	\$32,764.20	\$33,790.88



65 and not currently covered by an employer plan, then the output will list three different marketplace plans, based on the client's preference inputs. This may include gold, silver and bronze options, or (more likely) two of the three, again based on the client's residential location. In each case, the client can see the annual premiums and financial risk—the maximum out-of-pocket that would have to be paid in that year under a worst-case health scenario.

The tradeoff between premiums and potential out-of-pocket costs is a bit more complicated than many consumers realize. Simone calls up a client output that compared what Caribou had identified as the three best plans for a particular client, two bronze and one silver. The silver was the

most expensive of the three, but was it also the safest choice?

Maybe not. "People think, oh, silver must be better than bronze; let me pick silver," says Simone. "But when you look at this comparison, you see that here, as in many cases, the out-of-pocket maximum is actually the same for the silver and bronze plans. This is where it may be advantageous for a younger client to pick a bronze plan, pay less per month, and also be able to contribute to an HSA."

Clients can also express preferences as to which carriers they prefer, and more often, which ones they do NOT want to work with. "People will tell us, *I only want to work with Blue Cross-Blue Shield*, or: *I hate Aetna*," Simone explains. "So we are modifiable

based on their different preferences.

A much more common preference has to do with whether the insurance company has a reputation for promptly paying on claims, or stalling and drowning their customers in paperwork before they open their wallets. "That's where ratings come into play," says Simone. Where available, Caribou accesses the one-to-five star ratings used in the Health Insurance Marketplace, collected from health insurance customers based on their experiences. Choosing between several plans with similar premiums and out-of-pocket maximums might come down to the fact that one carrier has a better reputation for paying claims (four stars) than another one (one star).

Case Study of Medicare Drug Cost Optimization

	Lowest Premium + Drug Costs	No deductible, Lowest Costs	Lowest Premium
Carrier & Plan Name	AARP MedicareRx Saver Plus (PDP)	SilverScript Plus (PDP)	SilverScript SmartRx (PDP)
Plan ID	S5921-351-0	S5601-013-0	S5601-181-0
Star Rating	4/5	3.5/5	3.5/5
Monthly Premium	\$38.00	\$73.30	\$7.20
Drug Deductible	\$480.00	\$0.00	\$480.00
Annual Fixed Cost	\$456.00	\$879.60	\$86.40
Est. Annual Drug Cost*	\$5,151.89	\$5,364.24	\$40,454.13
Est. Annual Drug + Premium Cost*	\$5,607.89	\$6,243.84	\$40,540.53

“If somebody has a concern about those kind of things,” says Simone, “you can specify a certain star rating, but in all cases the star ratings are provided as part of the initial report.”

Simone says that it is not uncommon for individuals to shift coverages when the open enrollment window opens, and that health insurance shopping can potentially become a significant cost savings opportunity.

“We did an analysis a couple of days ago where we were comparing a couple’s plan in light of the fact that they just had a baby,” she says. “They wanted to re-evaluate their coverage because of the qualifying life event. Some of the advisors use Caribou to provide health insurance advice to the next generation of their existing clients,” Simone adds. “If one of their kids is aging off of the parents’ policy and maybe still in school, there’s an opportunity for the advisor to deliver value to that

dependent. We’ve done a lot of those for students or people who are moving out of their parents’ homes.”

Even if there isn’t a change in current or prospective health conditions, Simone recommends a coverage re-check every year. “We’re trying our best to educate people on the fact that these plans change every year,” she says. “The provider network can change, and suddenly the doctor or hospital you’ve been working with is no longer covered.”

Of course, Caribou can provide the same information to small business owners who want to provide health insurance coverage their employees. Simone says that a nontrivial number of new advisory firms have used Caribou to set up their own internal plans as they take on staff.

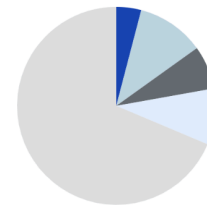
Health-related tax planning

The second component of

CURRENT HEALTHCARE EXPENDITURE

\$ 6,631.80 /year

2022 Health Utilization Costs



\$ 269	Prescription Drug (excluding premiums)
\$ 732	Medical (excluding premiums)
\$ 4,552.80	Health Coverage Premiums
\$ 470	Dental
\$ 608	Vision & Eye Glasses

Caribou revolves around tax savings and tax planning strategies, which range from simple to slightly complex. On the simple side, when younger clients are considering their options, one possibility is a high-deductible plan coupled with a Health Savings Account.

Up the complexity scale, clients or advisors will input data from health insurance claims, doctor and hospital bills throughout the year into Caribou’s expense

organizer. “Since we have their income information and tax bracket, we can demonstrate whether or not it makes sense for clients to itemize,” Simone explains. “And they can calculate whether they would qualify for a medical tax

coverage to a plan that those providers participate in. That might entail moving from a bronze to a gold plan, as mentioned above, or it might entail switching from Medicare Advantage to traditional Medicare—assuming the clients

drops your drug in the formulary,” Simone explains, “then it could potentially cost the client thousands instead of dozens of dollars in out of pocket expenses.”

In addition, Caribou will evaluate some options for purchasing the prescribed medications, whether covered or not. “We’ll look at a mail order strategy or generic cost strategy,” says Simone, “because that’s an area where you can often get a lot of cost savings.”

In the past, Simone found that advisory firms were still somewhat leery about collecting medical information from their clients and having claims information stored on an external service provider. Those concerns were considerably lessened when Caribou received its SOC2 Type 1 certificate, which certifies its cybersecurity controls and cybersecurity program, tested, audited and monitored by a CPA. “Some of the larger firms told us that that level of security would be a requirement,” says Simone. “So now we can send them the report.”

Cost? Advisors will usually buy Caribou on behalf of clients; the starting price for a household is \$475 a year; \$250 for single filers. There are volume discounts available.

Simone says that advisory firms are looking for additional services to provide to their clients, and Caribou—still just two years old—aspires to be one of the most painless, least-labor-intensive options on their plates. “We’re turning what was once perceived as a services-based deliverable

Every quarter, advisors receive a report which shows their clients' health plan and prescription drug premiums and healthcare expenditures.

deduction. It’s pretty simple and straightforward,” she adds, “but a lot of advisors aren’t doing it because there hasn’t been a way for them to collect that data. Often people are claiming the standard deduction when they should probably be itemizing.”

Every quarter, advisors receive a report which shows their clients’ health plan premiums, prescription drug premiums, prescription drug costs and healthcare expenditures. It tracks these data points compared with typical consumers, and tallies up the risk that the clients have reduced and their cost savings.

Finally, Caribou helps advisor clients control their health costs. For example, for a client who needs knee replacement surgery, Caribou has collected doctor and hospital costs for the procedure in the client’s area. “On one level, we show whether these medical providers are covered under the client’s current plan,” says Simone. If they’re not, and the procedure isn’t scheduled yet, clients might be inclined to shift their

are able to pass the underwriting.

The cost comparison might also help clients shop for an expensive procedure. “Congress introduced a law where, starting back in January 2021, hospitals are required to post all of their service fees for at least 300 medical services that they perform, and more and more of that information is available online,” says Simone. Caribou collects all of that information and relates it to the local area where planning clients currently reside.

But... Who would want to schedule an operation with the lowest-cost provider? “One of the biggest misconceptions in the healthcare world is that cost is related to quality,” says Simone. “Oftentimes you can get low-cost service with great quality. And of course network participation is really important.”

Perhaps the greatest cost savings for Caribou users comes when it compares their current prescriptions with their Part D or prescription drug plan’s formulary. “If the insurance company

or product (through health insurance agents) into technology,” she says. “We help advisors scale their health insurance, health coverage and medical tax advice just like other technology services that they deliver. I’m obviously biased,” she adds, “but I really believe that Caribou will be a net positive for the profession if more people were offering these healthcare-based services.”

Adding services

How are advisors using Caribou in their client service offering? Russ Thornton, of Wealthcare for Women in Atlanta, GA, had been fielding questions about how to navigate the Medicare decision as clients approached retirement. “In the past, I had identified a couple of local Medicare brokers that I was referring people to,” he says. “But when I learned about Caribou and the opportunity to offer an objective consulting engagement, I felt like it would help me fulfill my fiduciary responsibility to my clients.”

The process, he says, is very un-labor-intensive. “I tell a client that Caribou is a third-party solution, that everything is secure and above-board and there is not a sales pitch at the end, because they don’t actually sell or broker the insurance. They just help educate you about the best options for you given your age situation, prescriptions, whatever the case may be.

“If the client says, yes, that sounds good,” Thornton adds,

“then I go into Caribou’s system and set them up as a client. Once I do that, Caribou sends them a link to log in and fill out a secure questionnaire, which is basically just personal details, and a little bit of medical history, who are your doctors, what is your preferred pharmacy, what prescriptions are you on, etc.”

The report arrives three to four days later, and Thornton

said, *wow, I’m really glad we did that. I learned a lot, and I feel much better informed about making these decisions.*”

Lena McQuillen, director of financial planning at Baillard, Inc. in Foster City, CA, says that healthcare planning is one of the common themes in a larger financial planning engagement. “Clients want to know, could they be saving money, are their drugs

Thornton will review clients' drug plans every year, and use Caribou for clients who might be rolling off of their employer's health insurance coverage.

schedules a 30 minute phone call to go over the report with the client. “It shows my clients what their fixed costs would be, and what their total financial exposure would be if they had a bad year, medically, and had to cover everything,” Thornton explains. He anticipates that he will get updated reports every year for the clients who have used Caribou. “We will definitely review their drug plan,” he says, “because coverage and prices and prescriptions are constantly changing.” But he also envisions using Caribou for clients who relocate to another part of the country, who might be rolling off of their employer’s health insurance coverage.

Thornton says that the experience has been well-received by his clients. “A couple of them were a little skeptical on the front end,” he says, “but after we went through the process, they literally

covered, and what are their out-of-pocket risks?” she says. “That is where Caribou helps bring them peace of mind.”

The firm added Caribou to its financial planning toolkit a year ago in May. “We were looking for more ways to help our clients,” McQuillen says. “Most of the clients we’ve used it for so far are approaching Medicare eligibility or going through life changes, like a new job or moving out of state and the plan needs to be shifted.”

“Our clients have been very pleased with the service, and the fact that we’re offering Caribou,” McQuillen adds. “Typically, they just want to make sure that they’re covered properly.”

Clifford Haugen, CEO of BL&B Advisors in Montgomeryville, PA, added Caribou to the firm’s client services almost as soon as the product came on the

market. “Like most RIA firms, we have not felt a lot of fee pressure,” he says. “But we’ve been expanding our service offering over the last ten years to defend our fees and margins. We’ve added some estate planning services, and Caribou gives us a way to provide advice on healthcare cov-

sors to give detailed answers. “The answers that we were able to give were just not specific enough,” Haugen says. “We spent two years looking for a solution before Caribou came on the scene.”

In addition to helping clients with health insurance ques-

sion of multiple sclerosis, and the cost in the U.S. market was estimated to be \$26,000 a year.

“That’s a challenge for their financial plan,” says Haugen with dry understatement. “But while we were telling the clients that this was going to impact their retirement spending, Caribou was looking to see when the drug comes off patent, and looking at importing it from Canada or Mexico. Not only did we have a variety of solutions that did not crater the financial plan,” Haugen adds, “but when Caribou helped us get a second opinion from a doctor, we were ultimately able to get her off the drug altogether. The clients love us; they think we’re geniuses.”

Since adopting Caribou, Haugen has recommended the software to members of his study group and, since adopting it, they’ve been going back-and-forth about whether they are going to pay for it on behalf of their clients or pass along the costs—and the conclusion in all cases has been to buy it for their clients as part of the ongoing planning service.

“Feedback from clients has been so positive that we’d be stupid to stop,” Haugen says. “I think we need to be talking to our clients about their health insurance because there’s so much of their financial picture involved, and they’re confused about what to do. To have this as a conversation starter is just one more way to strengthen and deepen client relationships in a way that far exceeds Caribou’s fee to do the work.”■

Feedback from clients using Caribou has been positive, and the program has helped strengthen and deepen client relationships.

erage.”

The decision about what new services to provide, he says, generally comes from client demand. “We kept running into questions about healthcare issues,” Haugen explains. “It was not about: *I have a disease; how do I fix it?*” he says. “It was more about: *I am retiring, I have had insurance under my employer, what is this Medicare thing and what am I supposed to do with it? Do I really need a Medigap plan? My drug plan changed and these costs are going to be coming through. My kid is rolling off the family’s healthcare coverage; what do I tell them to do for their own coverage?*—those kind of questions. As a fiduciary, I wanted to give them advice that wasn’t coming from an insurance broker.”

BL&B advisors were giving advice on these questions, but there’s nothing in the CFA training (Haugen’s designation) or the CFP curricula (most of the firm’s 12 planners) that prepares advi-

sors, BL&B advisors have been leaning on the other services that Caribou provides. “We use them when we get inbound questions from clients,” says Haugen, about things like: *my mom fell and broke her hip, and the surgery didn’t go well. I’m not really comfortable with the advice I’m getting from the doctor. Do you have anybody else I can talk to?* We say, yes, we can help you find a second opinion. Let me connect you with Caribou.”

Haugen adds that Caribou provides a fully SEC-compliant (meaning secure) messaging platform that ties into BL&B’s email archive. “And they do stuff that we could never do,” he says. “We had a client in Bermuda, he and his wife were coming back to the States and she needed to go on Medicare. I don’t know their drug history; I don’t NEED to know my clients’ drug history, but Caribou figures all of that out.”

This particular client was taking drugs to slow the progres-

Parting Thoughts

Conflicted Rankings

We all like to know who are the real up-and-comers in our profession, the younger career financial planners who are exhibiting strong professional leadership skills and extraordinary talents. Every so often one or the other of the professional magazines will give us a '40 under 40' list of candidates to watch for in the future, and I have to admit that I can't resist looking at the list.

And it turns out that all of the future leaders of the financial planning profession are wirehouse brokers.

Wait; what?!?

I no longer summarize the articles in Financial Planning magazine, because I concluded some time back that professional financial planners would be wasting their time with its generally irrelevant content. But the magazine keeps sending issues to me. So, in the spirit of fairness, thinking that I might resume coverage of a publication that I once edited, I looked over the March issue.

Most of it was pretty much what I expected. I hadn't realized that baseball legend Jackie Robinson once ran a banking institution (cover story) but I fail to see how that relates to the management of a financial planning firm or improves the profession's collective understanding of client service.

But then a "Top 40 Under 40" article caught my eye. I was curious to see who the magazine had found among the thousands of younger professionals that deserved our attention, and discovered, to my surprise, that the entire future of the profession is currently working at brokerage firms.

Lest you think I'm exaggerating, I've listed below the brokerage affiliation of every single person on the list, identified by their rankings, rather than by name:

Merrill Lynch: (#s 2, 3, 4, 6, 7, 8, 14, 15, 20, 21, 22, 23, 25, 28, 31, 32, 35, 37)

UBS: (#s 5, 9, 19, 26, 27, 29, 30, 38)

Morgan Stanley: (#s 1, 10, 12, 17, 18)

J.P. Morgan: (#s 11, 16, 24,

William Blair: (#s 13, 40)

RBC: (# 33)

Ameriprise: (# 34)

Oppenheimer & Co.: (# 39)

Janney Montgomery Scott (# 36)

As I looked over the list, I wondered whether it is really possible that *none* of the young talent in the financial services profession resides in any of the thousands of independent planning firms. Or is it possible

that the Financial Planning editors don't see the planning profession at all?

This actually touches on one of my nerves—something I've written about a few times, about how the brokerage industry has captured segments of the press using the weight of its collective marketing budgets to dictate how articles will be written. Lest you think this doesn't have a real-world impact, consider Barron's 'Top 100' financial advisors, who are part of a search tool for the 'top' advisory firm to work with. Prospective financial planning clients would turn to the Wall Street Journal's sister publication, looking for an advisor who would help them navigate their financial lives, and find a list, from top to bottom, that looks like this:

Morgan Stanley brokers: (1, 2, 3, 5, 6, 8, 10, 12, 13, 14, 18, 23, 25, 26, 29, 34, 35, 36, 44, 46, 48, 55, 58, 64, 66, 69, 72, 73, 79, 82, 88, 89, 91, 94, 95, 96, 98, 99)

Merrill Lynch brokers: (7, 20, 31, 32, 33, 39, 45, 51, 54, 57, 60, 63, 71, 75, 78, 80, 81, 87, 90)

UBS brokers: (9, 16, 19, 27, 28, 37, 43, 47, 52, 59, 62, 85, 92)

William Blair reps: (11, 17, 61, 97)

J.P. Morgan Wealth Management reps: (38, 40, 83, 84)

Several of the rest are Neuberger Berman employees; there's one Wells Fargo broker and First Republic reps are scattered here and there. If the professional financial planner is perusing the list, looking for a familiar name, well, there's a couple of Ameriprise reps thrown in the mix

(#s 21, 24 and 100).

If you read these publications, you might find yourself questioning whether the independent, fiduciary, fee-compensated financial planning profession actually exists—and at the very least, one would come away with the impression that—as Sallie Krawcheck once remarked after taking a senior position at Merrill—it might be just too darned risky to trust your financial future to one of those tiny little firms when you could be learning really keen investment ideas from a ‘top’ sales agent at one of the giant wirehouses.

Moreover, it confers credibility with a naive public whenever a brokerage rep can

put, on his/her online profile, that he/she was selected by Financial Planning Magazine as a ‘top’ 40 under 40 up and coming professional. It matters that a sales rep at a Merrill Lynch or Morgan Stanley branch office can advertise that he/she is one of the ‘top’ 100 financial advisors in the country. You and I would take something like that with a grain of salt, but a consumer would likely be influenced by these impressive credentials—which, I suspect, were actually dictated to the respective publications by their brokerage overlords. (*Make sure these 38 brokers make your top 100 list...*)

This cozy relationship between Wall Street and the

financial (now trade) press creates a very swift current that real professionals have to swim against in their efforts to win clients and provide them with unbiased service. The real professionals are inexorably, swimming upstream against the publicity coming from the captured press. But I have to say that it’s discouraging that one of our own, a publication that is actually NAMED ‘Financial Planning,’ that was created to support a profession that was bravely breaking away from the client-unfriendly brokerage model to enact a revolution for unbiased, unconflicted advice, has been pulled into throwing its full support behind the brokerage industry.■