

Some advisers decide bigger isn't better

Limiting the size of their practices allows them to devote more time to clients

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Back when Donna Skeels Cygan was running a rapidly growing financial planning firm, her job consumed her. “I felt like I was neglecting my family and spending so much time managing the staff and the growth that my passion, which is sitting with the client, kind of got overshadowed,” she said.

Ms. Cygan began to question whether building a business at all costs was the right way for her to operate. Eventually, she decided it wasn't, and put on the brakes.

It's a common mantra that if a business isn't growing, it must be stagnating. But growth has downsides, too, say advisers who have chosen to limit the size of their practices. Staying small allows them to spend less time marketing and managing a staff, and more time doing the work that attracted them to the financial planning business in the first place. If it's done right, advisers get the best of both worlds: a stable business that generates enough income and replenishes assets at a sustainable rate, without all the negatives associated with constant efforts to grow. Small can be beautiful, they say.

PERSONAL PREFERENCE

“I never had an aspiration for a large business,” said Jeffrey D. Moscaret, principal of Moscaret Investment Advisory. “I like very personalized service.”

Of course, “all advisers say they provide personalized service,” Mr. Moscaret said. But when an adviser has a small group of clients and doesn't spend a large percentage of his time prospecting for new ones, he is able to devote more time to each client, he said.

Mr. Moscaret believes that it is difficult to live up to the personalized-service standard when a part of the job is chasing new money. He says it's very liberating not to have to hold dinner seminars or ask clients for referrals.

Advisers who want to maintain a smaller practice need to generate a revenue stream that provides a kind of annuity for the adviser, Mr. Moscaret said. They also need to be good at multitasking. “My project, at any point in time, has my undivided attention, but I can juggle that if a client calls,” he said.

“Being able to have that flexibility” is an important quality, Mr. Moscaret said.

“Most advisers think growth for the sake of growth, without thinking about the consequences of that growth,” said Beverly Flaxington, a principal of Advisors Trusted Advisor. The decision of whether to build a larger business, and how large to take it, has to be connected to an adviser's overall goals, she said.

STARTING OVER

For Ms. Cygan, getting back to the kind of lifestyle she wanted meant selling her successful practice. After helping transfer her business to the new owner, and then taking a year off, she decided to begin again, but with the goal of running a smaller practice. Now she is the principal of Sage Future Financial LLC.

After building up to 32 clients, she "closed the doors" to new customers. "Each gets very extensive service," which is part of the business she always enjoyed the most. Ms. Cygan said.

Ms. Cygan outsources some work but otherwise does it all herself, which is another big change from her former business, where she had a staff of five. "The human resources work was very tiring," she said. "I would get somebody trained and they would be a great employee, and then they would move away."

Ginny Hudgens, president of Back Office Advisor LLC, which coaches financial advisers, said most of her clients tell her that they want to grow, but for some, that attitude changes over time. They begin questioning the strategy of growth when they get to the point of having to consider hiring full-time help.

Advisers who are starting out "have this magic number in their head" of the assets they want to manage, Ms. Hudgens said. "One hundred million is a popular number," she said. As advisers get close to \$75 million, some "come to realize that this \$750,000 I'm making a year is all I need," and they decide to tweak their service model to offer more services to the clients they have.

LEANING ON TECHNOLOGY

One advantage of keeping a practice smaller is avoiding the issue of hiring employees. The way Ms. Cygan makes do without employees is to make more use of technology than she did in the past.

"I think I am more efficient than I was before," she said. Though she has no employees, she has more time for herself than she did when she had a sizable staff. In addition to running her practice, Ms. Cygan is writing a book, something she wouldn't have had time for before, she said.

Tracy Beckes, a consultant and business coach, said that she has noticed that advisers who run smaller practices tend to be early adopters of "best-in-class technology" so they can get more done with a small staff. "Often they are the first firms to have a breakthrough business solution," she said.

The desire for a better work-life balance also is a main motivation for advisers to keep their practices small, Ms. Beckes said.

Mr. Moscaret said that he enjoys making his own schedule and sometimes even socializes with a few of his clients.

"I get to know them and they get to know me" better than if each client was just one of hundreds. Mr. Moscaret's firm has around 120 clients. He has one assistant who has been with him for 18 years.

For Mr. Moscaret, one of the great advantages of running a smaller practice is that he has the time to be more of an "alpha adviser," one who brings investment ideas to the table. "Not market timing in any way, but thinking outside the box for tactical plays," he said.

Bringing in new clients to replace those who move on hasn't been an issue for Mr. Moscaret and Ms. Cygan, both of whom have turned away business. Neither does any marketing.

"I get calls all the time from people who want to be clients. I refer them away," Ms. Cygan said. "If they are a perfect fit, I may take them. [But] I don't have that pressure."

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