



WHAT'S YOUR SCORE?

Ian Middleton | Masthead Managing Director

Are you on track to reach your goals for 2010? At this annual halfway mark, financial advisers should take stock of their accomplishments and identify what must be done to achieve their goals, said Ian Middleton, managing director of Masthead.

"To check if you are on the right course, you should compare your progress against your business plan. This important document should have been set at the start of the year and identify both your long- and short-term goals, marketing strategies and financial data."

According to Middleton, "A business plan is like a GPS or road map. It identifies the start and end points, as well as the best direction to reach the destination. Without a business plan, the degree of success a business can achieve is, at best, limited."

The variance between actual performance and the business plan will highlight accomplishments (when positive) or areas where focus is needed (negative variance). A regular business valuation can also assist in measuring progress.

"Ideally, business plans should be evaluated quarterly to remain updated and be revised as you modify your goals or as markets change," said Middleton. "If there are signs that objectives will not be met, be sure to make alternative plans. For instance, if income forecast for the rest of the year is lower than in the original business plan, you could look to alternative sources of revenue. Alternatively, you could revise your anticipated expenses and seek opportunities for saving so that your planned profit remains achievable."

As with a GPS or map, a business plan is a tool to keep one on course. It should

thus include the necessary detail to guide the financial adviser and the practice. "Your business plan may thus comprise an executive summary, company profile, competitive analysis, marketing strategy, staff profile, financial information as well as appendices containing relevant additional information." But, Middleton cautioned, "Business plans do not have to consist of reams of paper."

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To ensure a business is viably run, the business plan should clearly detail income and expenses. To fully understand income sources, Middleton recommends classifying income into three main categories, namely predictable income such as trail fees, semi-certain income such as promises of business and maturities, and then new business, which could be derived from existing or potential new customers.

"Detail your expenses, taking into account staff costs, office operating expenses and capital expenditure," said Middleton. "Expense budgeting/planning can help focus on individual expense items and you can reassess the need for certain expenditure as the year unfolds."

"Your business plan should also take into account the actions required to remain compliant. By now, you should have development plans in place to make sure that staff members who are acting under supervision meet the fit and proper requirements. You should also have submitted your complete financial statements to the FSB."

As a business plan is crucial to success, Masthead consultants assist member brokers to draw up meaningful business plans and to evaluate their practices against their plans. With their wealth of experience and holistic view of brokers' practices, the consultants cover all aspects and identify what needs to be done to result in tangible improvement.

Masthead's consultants can also conduct a business valuation, taking into account quantitative financial elements as well as qualitative factors. "In this way, you get an estimate of what your business is currently worth and its potential value should areas within it be developed to operate at optimal capacity," added Middleton.

"Brokers who plan their journeys are more likely to arrive at their destinations. If you regularly keep track of where you are, and ask for direction from Masthead, you'll accomplish more and have every chance of achieving your goals."

For more information, please contact your Masthead consultant, or visit www.masthead.co.za.

