The Benchmarking Guide

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TrackThat ADVISOR

There is no one perfect way to do this whole "running a retirement planning company" thing. Most Entrepreneurs begin businesses because they have immense optimism, thick skin, and can sell ice to an eskimo. Those are a few of the qualities that make them great. But under the surface lies the big question, "am I doing this well?"

This industry has a thousand and one benchmarks being tossed into the mix and it gets confusing. Which ones matter and do they matter for YOUR office? In an attempt to bring a bit of clarity out of the chaos, Track That Advisor, a data analytics and coaching company that works specifically with Financial Advisors, conducted an in-depth study of 43 offices in hopes to bring hard data and facts to show *what* numbers matter for all offices and how they differ depending on the structure of each office. We've prepared a roadmap to help you on your Entrepreneur journey so that you can learn to, in fact, 'do this well'.

The following scenarios have been created as a guide for three different office structures and their client experience. It includes our findings of the hard data as well as the benchmarks that stemmed from our findings.

Part 1: Who was included

Track That Advisor aggregated the data from 43 offices over an 8-month period and separated the mass group into three sub-categories of different office structures:

- Optimize: (17 offices) Firms with 1-2 Advisors, higher profit margins, where the bulk of business is coming from Existing Clients and Referrals
- Scale: (11 offices) Firms with 2-4 Advisors, growth-minded, exploring new marketing funnels, honing in on sales process
- CEO: (15 offices) Firms with 4+ Advisors, where founder/owner is the face of the company and passing leads to others, typically above $80MM in new business each year

Part 2: What was included

We examined what percentage of new business was coming in from different marketing funnels and came up with benchmarks of what a healthy dial would look like for each category.

We then looked at the entire sales process for each category. For the clients of Track That Advisor, the sales process begins when the first appointment is set and then we follow that prospect through until business applications are submitted/issued, or until the prospect is lost. We call this "The Prospect Story". It's compiled of five metrics and creates a story of how leads moved through the sales process. We then put those metrics on a line graph that represents the cycle in a visual format, a story.

Definitions:

With data, knowing the definition behind the data point is as important as getting the metric itself. So let's begin at the beginning. What metrics are we tracking in The Prospect Story and what do they mean?

1.) Set 1st/Kept 1st (Stick Rate): Of the people that set a 1st meeting, what percentage kept it
2.) Kept 1st/Set 2nd: Of the people that Kept a first meeting, what percentage moved to setting a 2nd appointment (got on the calendar)
3.) Set/Kept 2nd: Of those who set a 2nd appointment, what percentage kept it

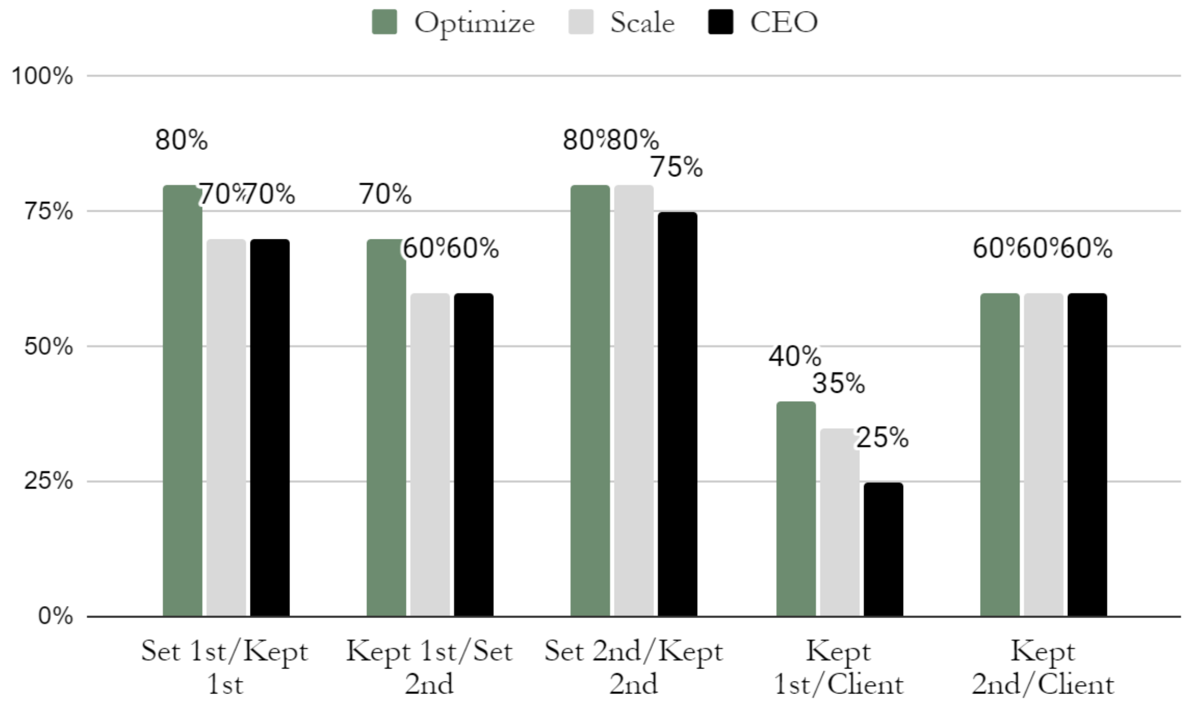
4.) Kept 1st/Client: Of those who kept a 1st appointment, what percentage became clients
5.) Kept 2nd/Client: Of those who kept a 2nd appointment, what percentage became clients

In addition, we met with Advisors Back Office Solution (ABOS), a Kansas City-based firm focusing on financial reporting, benchmarking and leadership coaching exclusively for Financial Advisors, to see where the finances landed for these specific office structures. The metrics we chose to include in the study were what percent of revenue offices were spending in the following areas:

1.) Marketing
2.) Staff (including Advisors)
3.) Owner Expenses
4.) Bottom Line Profit: The profit from an accounting standpoint, not total Owner Benefit

We chose to zero in on these four metrics because they represent the bulk of an office's expenses and nearly all offices have them.

Part 3: How We Arrive at Benchmarks:



- Set 1st/Kept 1st (Stick Rate): Optimize offices are writing the majority of business from Referrals, Seminars and Radio. They have a small number of leads coming in so stick rates are extremely important and they have the bandwidth to home in on that process. The stick rate for Radio, Referrals and Seminar in the Optimized offices in our study averaged to 79.53%. So we make the stick rate benchmark 80%.
- Set 1st/Kept 1st (Stick Rate): Once an office moves to scale, they begin experimenting with new sources and the stick rates 'tend' to drop. That didn't happen within our study group but this is not always the case. Therefore, we drop the benchmark to 70% to account for this shift. The average stick rate for all 43 offices for Digital, Educational Workshops, and TV was 70% so we know the new sources drop in stick rate and account for that in the Scale and CEO office structures.
- Conversion of Kept 1st/Set 2nd: Similar to the stick rate, the Optimized offices have their processes locked in and have minimal new leads from sources outside Referrals and Seminars. Once an office moves to Scale, we see the leads from different outside sources start to drop. Or, due to more leads coming in, the office sees a decline in conversions. This is due to many factors. One, perhaps its because they know another lead will be coming in so they don't fight as hard to convert. Two, calendars

begin to get busy, and appointments are scheduled too far out and the lead does not schedule on the spot. Three, Advisors begin to move into 'low hanging fruit' mode and only chase the 'easy' prospects and don't even bother to schedule a 2nd appointment with a lead that might feel harder to close. There are a myriad of things that we see when we deep dive into each office. Regardless, we see a drop in conversions when you move out of Optimized structure. Out of the 43 offices in the study, the average Kept 1st/Set 2nd conversion rate was 59%.

- Set 2nd/Kept 2nd benchmarks have sat at 80% for the last six years and most offices hit this. Of the 43 offices in our study, the average Stick rate for the 2nd appointment was 79.83%. The only reason why we are adjusting it lower for CEO offices is due to the volume of leads and if/when they begin scheduling meetings too far out and prospects cancel because of that fact.
- Kept 1st/Client. This benchmark differs for each structure due to the volume of leads as well as the sources. Optimized has few sources and less leads, a bulk being from Referrals which naturally skews the close rate higher. The 40% close benchmark accounts for that. The Scale office close rate drops due to trying out new sources and experiencing higher lead volume. The CEO office close rates drop even further due to the volume of leads and so many Advisors involved in the sales process; the sources don't come into play because the sales process is zeroed in.
- Kept 2nd/Client. This is the only data metric that is the same for all offices. At this point, it doesn't matter what structure you are in because you've gotten the lead almost completely to the finish line. At this point, all offices should be closing 60% of those leads. It is the least changing data metric of the entire prospect story, no matter the source or office structure. It has remained 60% for the last six years. Out of the 43 offices in our study, the average Kept 2nd/Close was 63%. (Optimize offices were at 55%, scale was 83% (we will cover why this is so high in Part 5), and CEO was 57%). Therefore, 60% remains our recommendation regardless of structure.

	Set 1st/ Kept 1st	Kept 1st/ Set 2nd	Set 2nd/ Kept 2nd	Kept 1st/ Client	Kept 2nd/ Client
Optimize	80.00%	70.00%	80.00%	40.00%	60.00%
Scale	70.00%	60.00%	80.00%	35.00%	60.00%
CEO	70.00%	60.00%	75.00%	25.00%	60.00%

Part 4: The Results and Benchmarks

Below are the findings from our study and the benchmarks that have been derived from that data.

**Disclaimer*: Not all offices will 'fit the mold'. There are plenty of Advisors that run their practice as an "Optimize" structure and their prospect process looks different from the benchmark, yet they are still healthy. This is not a one size fits all approach by any means. The beauty of benchmarks is that they can be a guide and a tool of measurement. But with anything that has a framework, it's nice to know what that is so you can consciously decide to go outside the lines; knowing full well that you are doing it. A conscious decision to 'break the rule' is much different than not knowing what to aim for in the first place.

The Optimized Office Perfect Story

Key areas to note for offices that fit this structure:

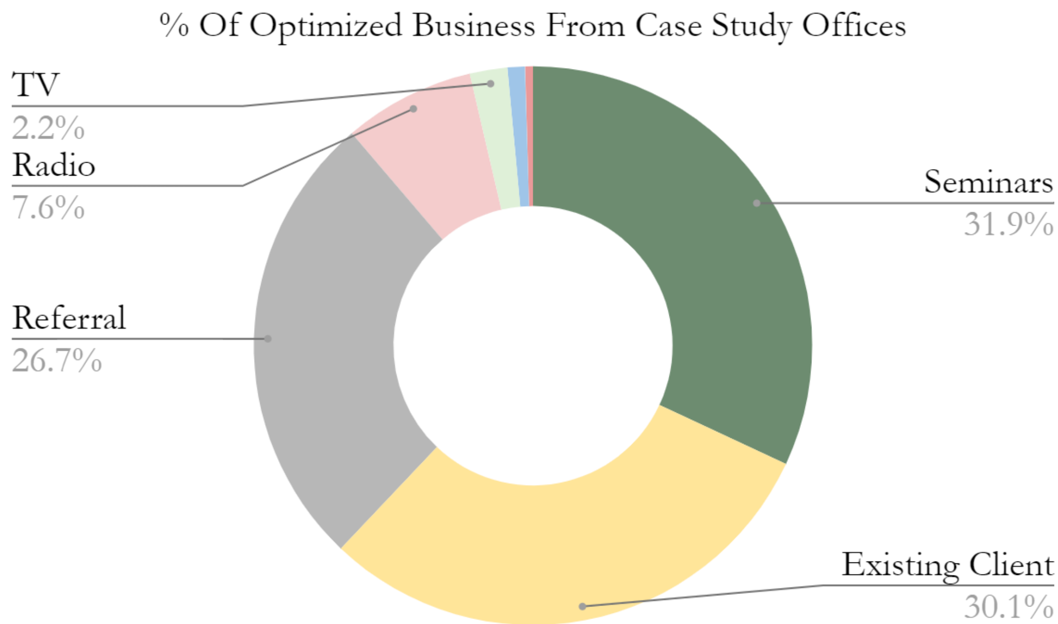
1.) They are writing the majority of business from Existing Clients and Referrals. They spend very little in Marketing efforts and garner very high returns because of that.
2.) They typically have a small staff, therefore, many of the team members wear many hats.
3.) They are not growing at a fast pace. They are fine with minimal growth year over year but are more concerned with keeping profits high and a well oiled machine regarding internal processes.
4.) They typically have higher Annuity business allocations vs. Managed Money (60% FIA/40% AUM), which also helps keep profits in a good range.

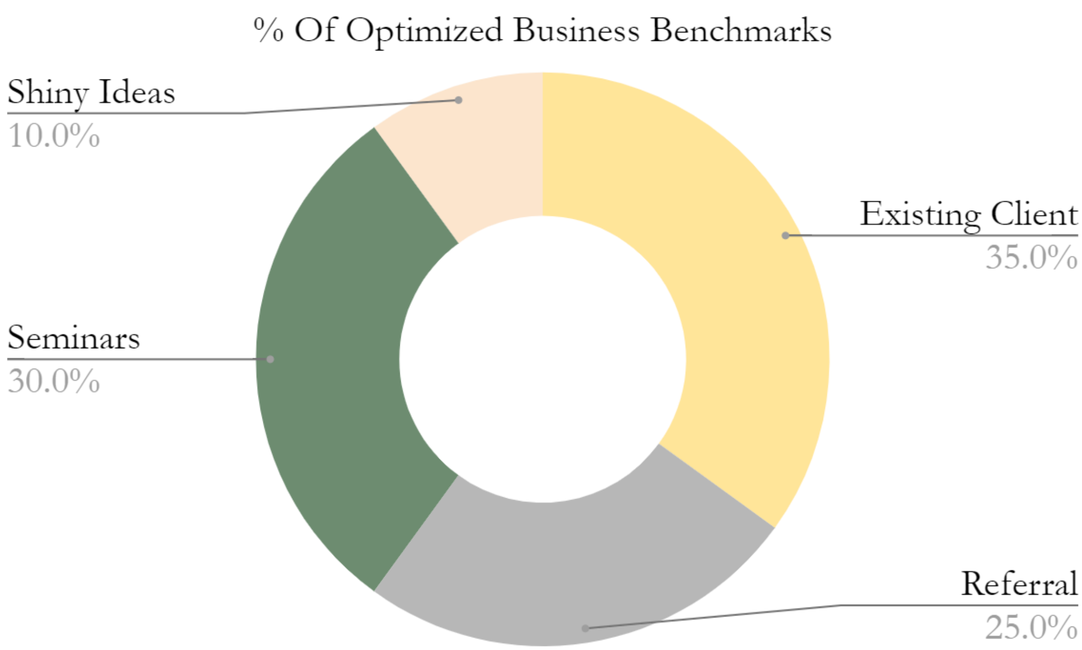
In our study of 17 offices with this structure, they had written $260,000,000 in new business thru August 2022, averaging $15MM per office. On track to hit roughly $22.5MM in new business by the end of 2022, per office.

They had set 2,000 first appointments, an average of 117 per office. On track to hit 176 first appointments set in 2022.

The average case size was $410,000.

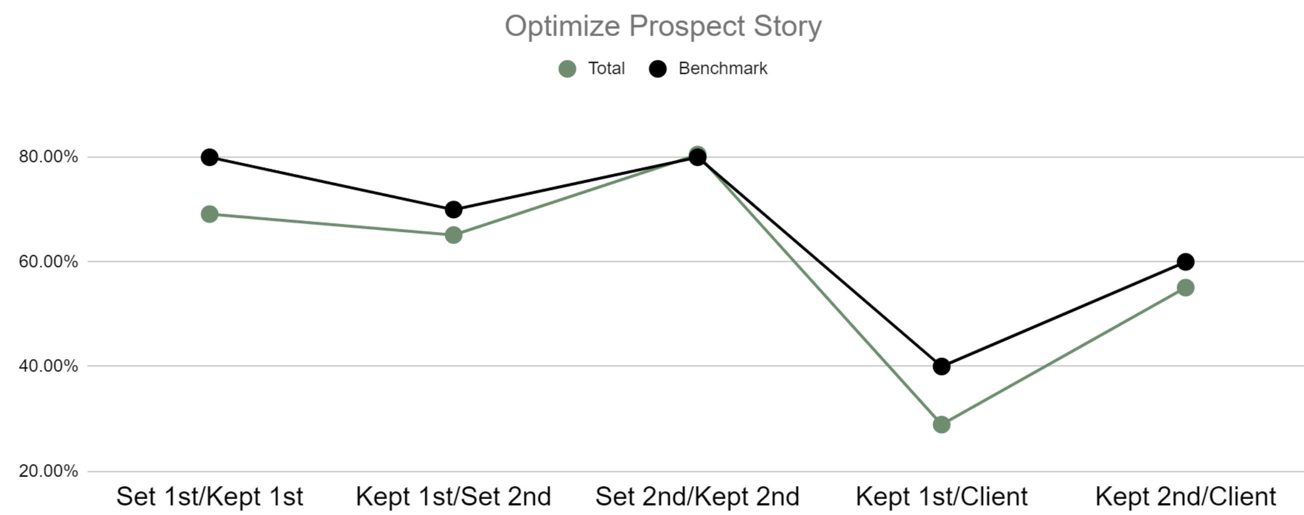
The following image represents where the new business came from against the benchmarks we have in place for such an office:





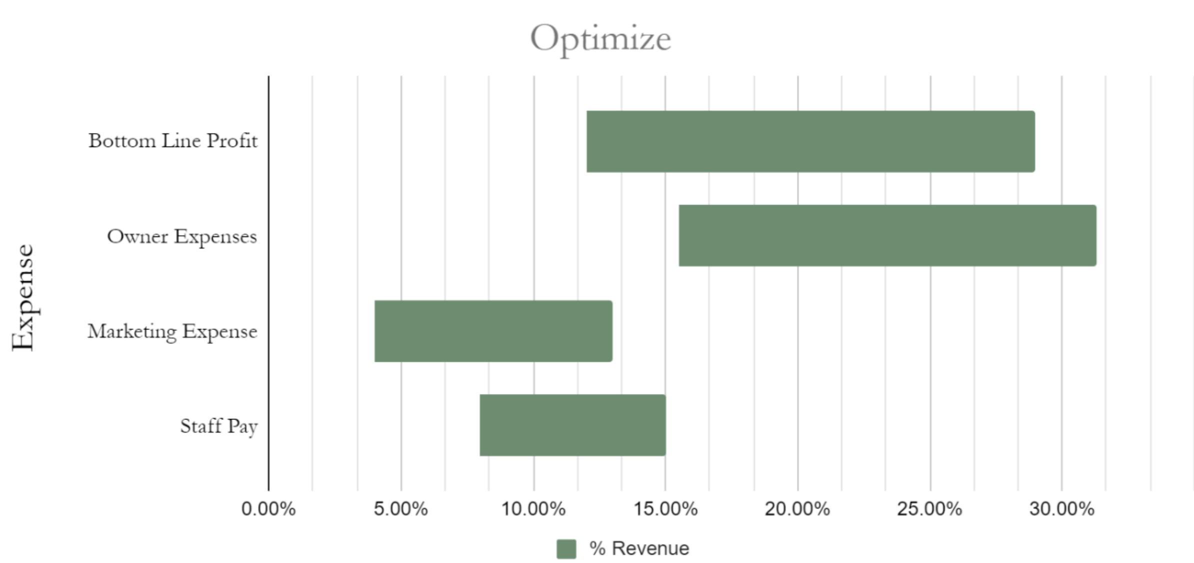
*Note. While it is not recommended for Optimized structure due to high cost, one office in our case study is using TV as a marketing funnel and doing well. This is an outlier, but worth noting for clarification.

The following image represents The Prospect Story of those offices against the benchmarks we have in place for such an office.



	Set 1st/Kept 1st	Kept 1st/Set 2nd	Set 2nd/Kept 2nd	Kept 1st/Client	Kept 2nd/Client
Total	69.14%	65.13%	80.52%	28.88%	55.08%
Benchmark	80.00%	70.00%	80.00%	40.00%	60.00%

For an Optimized office structure, the breakout of expenses taken against revenue are as follows, according to ABOS:



- Staff Pay Range of % of Revenue: 8%-15%
- Marketing Spend Range of % of Revenue: 4%-13%
- Owner Expenses Range of % of Revenue: 15.5%-31.3%
- Bottom Line Profit Range of % of Revenue: 12%-29%

Pros and Cons:

- The Upside: Optimized offices have most business coming from Existing Clients and Referrals. They have higher stick rates, conversions, and close rates due to the Referrals weighted so high. They have higher Owner expenses than the other office structures.
- The Downside: The team members wear many hats and must be equipped to do so. There is not large year over year growth. They aren't conducive to many new ideas for marketing and the owner is typically very involved in the day-to-day practice regarding presenting at the seminar, in meetings, and responsible for the 'big thinking' of the company.

The Scale Office Perfect Story

Key areas to note:

1.) These offices are in growth mode. Anytime you enter a new territory there is a learning curve. We see *the most volatility in The Prospect Story* with these offices because they are hiring/training new team members, navigating leads from new sources, more leads filling the calendar than before, and learning how those leads behave in the sales process. One quarter's data will differ greatly from the next because of this.

2.) These offices have more new business coming from "Shiny Ideas" compared to the other office structures. This is due to experimenting on where growth can come from and what random idea can turn into a dialable/scalable (Stable Other) source later down the road.

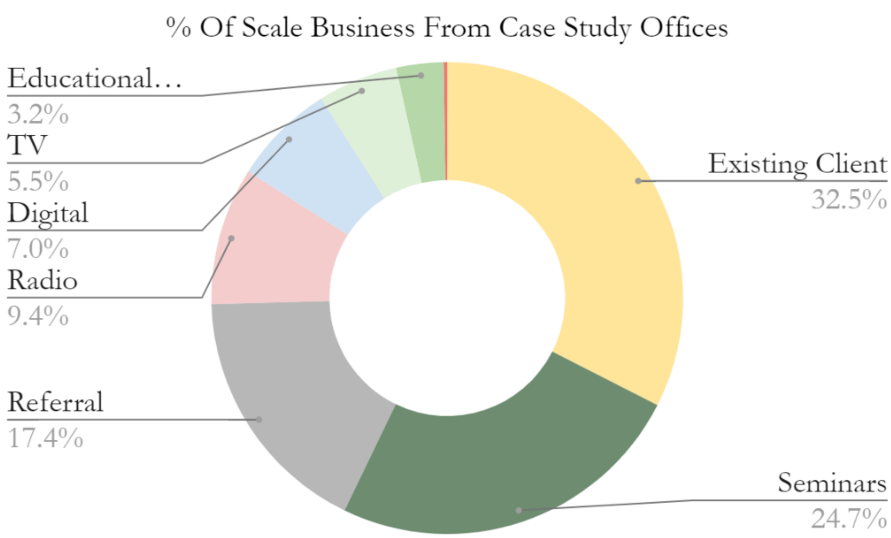
3.) This is the business model when determining if leads are qualified becomes important. Due to more leads coming in this data point starts to matter more so they aren't letting too many NQ leads through the doors and wasting time in first meetings. If offices don't do this, then we see a decline in conversion from 1st to 2nd meetings. (as seen in The Prospect Story below)

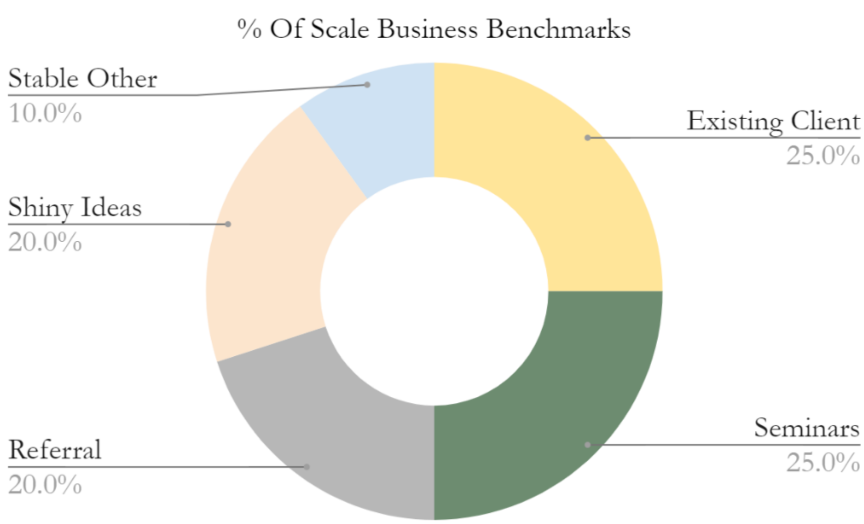
In our study of 11 offices with this structure, they had written $353,000,000 in new business thru August, averaging nearly $32MM per office. On track to hit roughly $48MM in new business in 2022, per office.

They had set 2,800 first appointments, an average of 254 per office. On track to hit 381 first appointments set in 2022, per office.

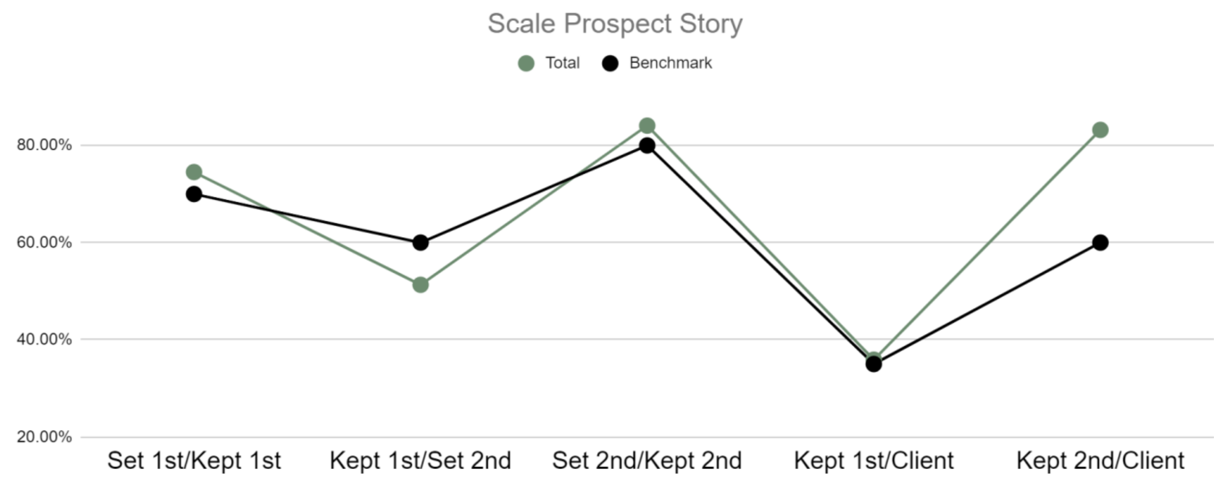
The average case size was $402,000.

The following image represents where the new business came from against the benchmarks we have in place for such an office:





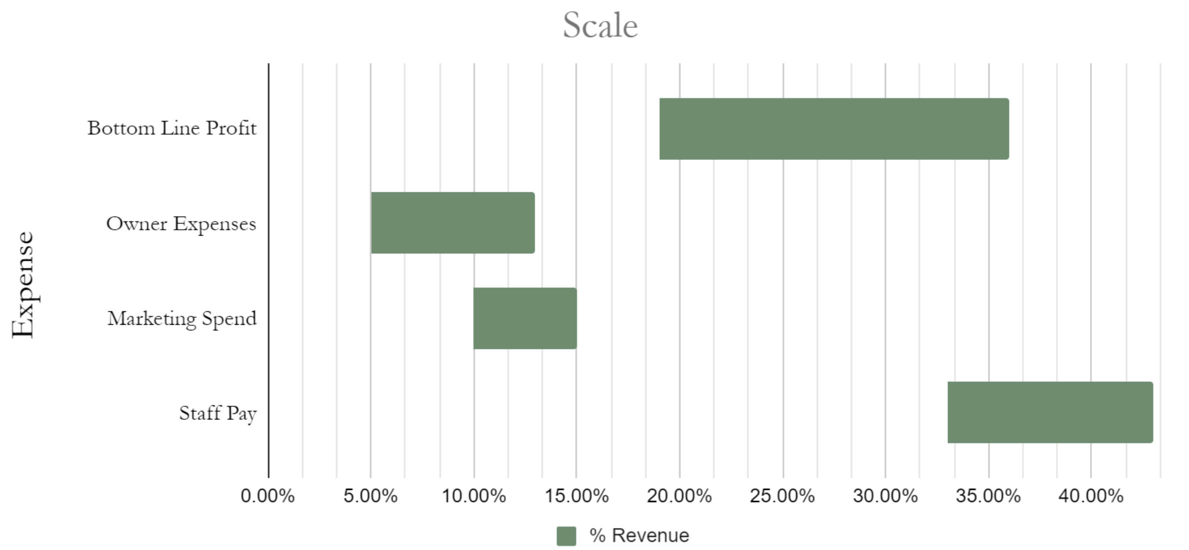
The following image represents The Prospect Story of those offices against the benchmarks we have in place for such an office.



	Set 1st/Kept 1st	Kept 1st/ Set 2nd	Set 2nd/Kept 2nd	Kept 1st/Client	Kept 2nd/Client
Total	74.56%	51.34%	84.00%	35.88%	83.20%
Benchmark	70.00%	60.00%	80.00%	35.00%	60.00%

*Note. The Scale Prospect story fluctuates nearly every quarter. As previously mentioned, this is due to the fast growth and adjustments that are happening consistently in these offices. New Marketing funnels, new hires/training, and new processes evolving.

For a Scale office structure the breakout of expenses taken against revenue are as follows, according to ABOS:



- Staff Pay Range of % of Revenue: 33%-43%
- Marketing Spend Range of % of Revenue: 10%-15%
- Owner Expenses Range of % of Revenue: 5%-13%
- Bottom Line Profit Range of % of Revenue: 19%-36%

Pros and Cons:

- The Upside: Scale offices grow FAST. They hire up to accommodate growth, spend more in marketing and growth ensues quickly.
- The Downside: Existing Client business and Referrals tend to be forgotten while chasing new leads and client attrition begins to happen more frequently. With AUM business growth, the first year *ROI lessens and unless it's watched closely, some offices hit cash flow issues without the usual annuity payouts they had estimated.* Every quarter looks different due to new leads coming from new places and adjusting the sales process which, in turn, makes it difficult to have accurate forecasting.

The CEO Perfect Story:

Key areas to note:

1.) We see close rates drop here. This is due to other Advisors who may not follow the 'rainmakers' process, or their calendars are so full with new leads that there is not as much time to nurture leads in the sales cycle.

2.) This structure can be maintained from a mathematical standpoint easier than the others. Reverse Engineering/forecasting at this level works very well because the lead funnels have been vetted and are consistent. It is now a math/processes game.

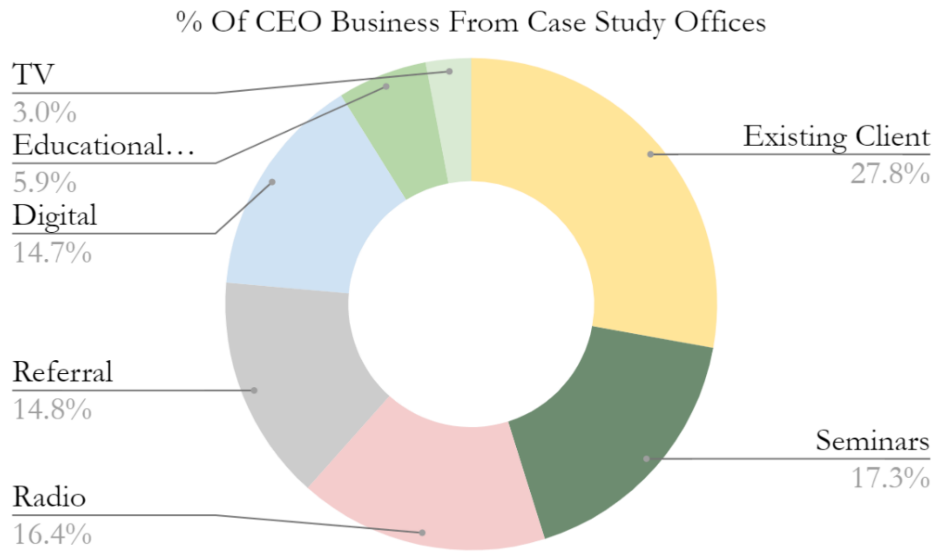
3.) This is where we see the most acquisition of companies. Because they run on their own and have a large book of business, selling the company is extremely lucrative and a fairly easy transition for the owner; as long as processes are measurable and the company does not require much from the owner to maintain its current growth.

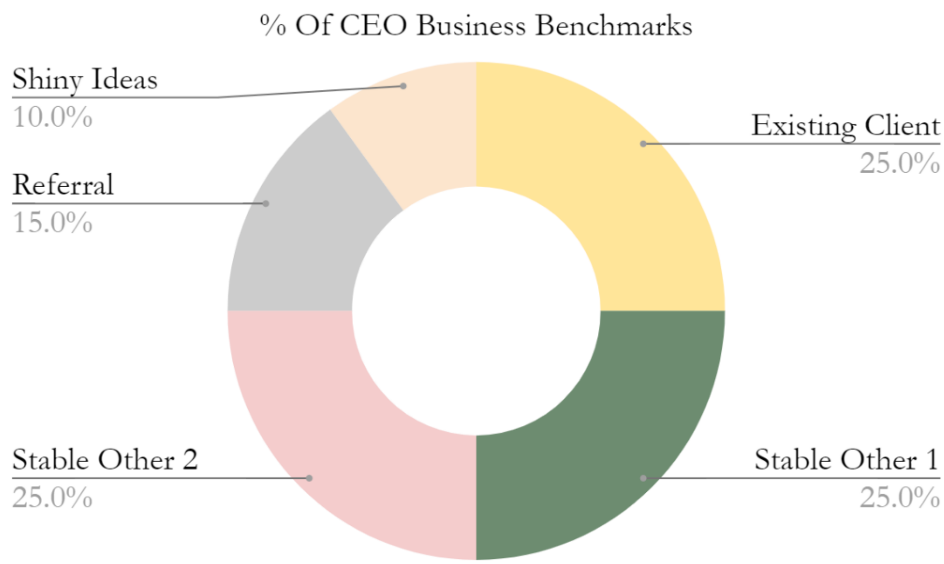
In our study of 15 offices with this structure, they had written $718,000,000 in new business, averaging nearly $48MM per office thru August 2022. On track to hit roughly $72MM in new business in 2022, per office.

They had set 5,800 first appointments, an average of 387 per office. On track to hit 580 first appointments set in 2022, per office.

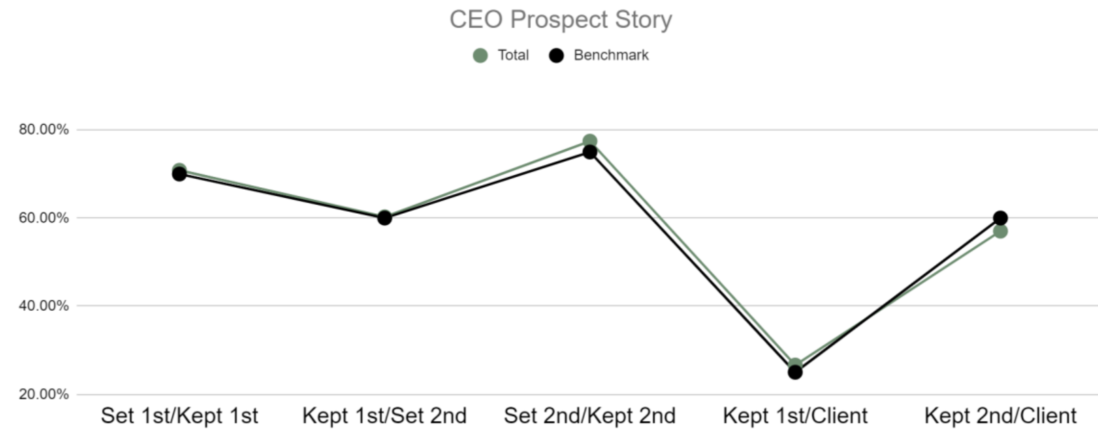
The average case size was $480,000.

The following image represents where the new business came from against the benchmarks we have in place for such an office:





The following image represents The Prospect Story of those offices against the benchmarks we have in place for such an office.



	Set 1st/Kept 1st	Kept 1st/Set 2nd	Set 2nd/Kept 2nd	Kept 1st/Client	Kept 2nd/Client
Total	70.85%	60.28%	77.46%	26.63%	57.04%
Benchmark	70.00%	60.00%	75.00%	25.00%	60.00%

For a CEO office structure the breakout of expenses taken against revenue are as follows, according to ABOS:

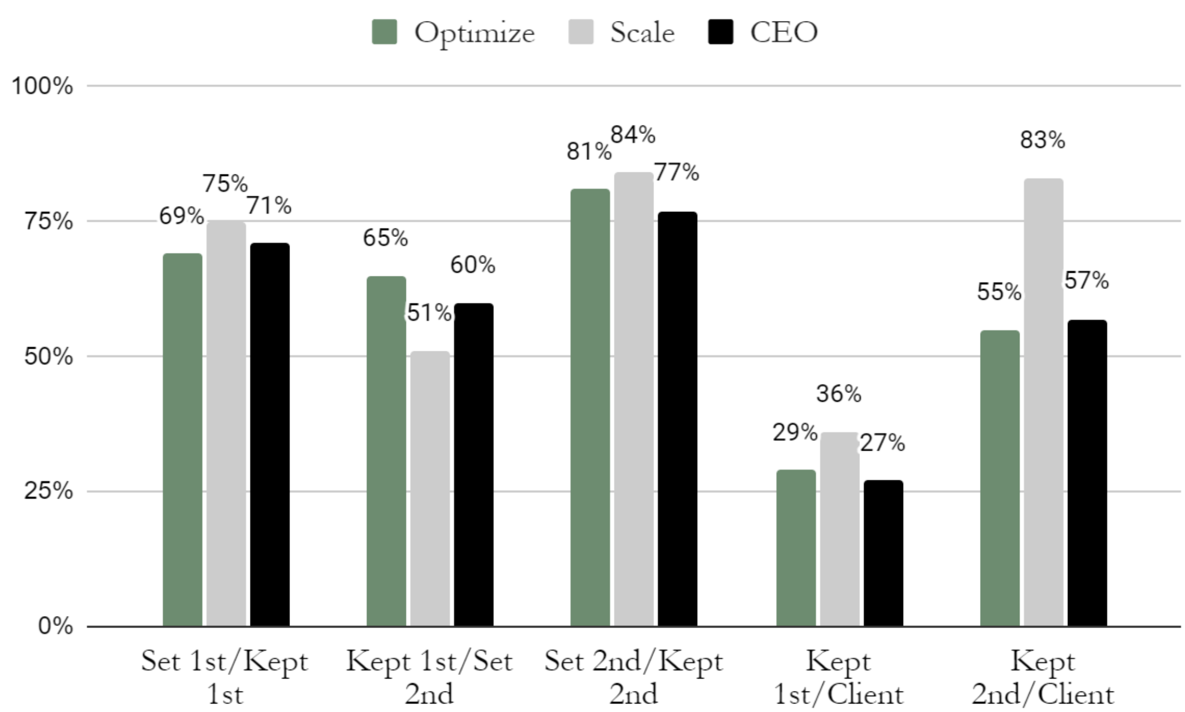
- Staff/Advisor Pay Range of % of Revenue: 26-34%
- Marketing Spend Range of % of Revenue: 11-17%

- Owner Expenses Range of % of Revenue: 6-12%
- Bottom Line Profit Range of % of Revenue: 21-30%

Pros and Cons:

- The Upside: The company is now machine-like. Marketing can be turned up or down and new Advisors are hired and trained fairly quickly due to efficient processes in place. There is very little 'learning curve' in the sales cycle here because it's been studied and adjusted accordingly.
- The Downside: This structure requires a lot of leads to fill calendars and ensure that the lower close rate will still lend to positive ROIs. Advisors must follow the sales process fairly closely for the machine to run well. Bottom line profit also may drop because of more commissions being paid out to Advisors; the owner is giving a large portion of the profits to the advisors instead of themselves because they are no longer selling.

Part 5: The Differences:



- To discuss the difference in stick rates, we must point out that the Set 1st/Kept 1st for Optimize office is low; well under the benchmark of 80%. This is because one office from the Optimized group was doing Digital campaigns and had a stick rate of 40%, thus, skewing the data low for stick rates there. *(*Note: Digital lead funnels are not recommended for Optimized offices because of their volatile Prospect Story).* When we take the Stick rate of 1st appointments from just Seminar, Referral and Radio (what is recommended for Optimized offices) the average stick rate is 76%; much closer to our benchmark, and higher than what the scale offices are doing. Therefore, that data point is skewed low in this study for Optimized offices.
- When we look at the high stick rate for Scale, it is not uncommon to see higher stick rates, even though it's not the benchmark. This is due to the fact that when offices move from Optimized into Scale, they are beginning to experiment with new sources. The stick rates for Seminar leads, Referrals and even radio remain high. The newer sources are what begin to bring that down. It just so happens that the offices in this study have had an incredible stick rate this year for all sources. But where we see the biggest drop is conversion of those leads into setting a 2nd appointment; as depicted in our benchmarks as well as the case study offices.
- You will also notice the Kept 2nd/Client percentage for Scale office structures is extremely high. This is due to four offices within the scale study that will often close at a 1st meeting. When you look at it mathematically and take the number of new clients divided by those that have set a 2nd appointment, it will be over 100% for those offices because they are not moving people to a 2nd, they are just closing them; skewing the close rates high. When we remove those four clients from the data set, the average Kept 2nd/Client close rate for the remaining offices is 47%. The range of all 11 offices in that subset is 21%-191%.
- Reminder: Scale offices have the most volatility and difference between each office, as they are in growth mode and changing consistently. Some are still closing in a 1st, others are closing at a 4th…this structure is the least consistent across the board for metrics, benchmarking, and aggregate studies; it changes from one month to the next.

Part 6: Conclusion

In conclusion, each office structure has its own set of lucrative aspects as well as its pitfalls. There is no single structure that outweighs the others from a data-standpoint. There are, however, best practices on where your new business is coming from, what The Prospect Story should look like, and what your finances are saying. It all tells a story when combined.

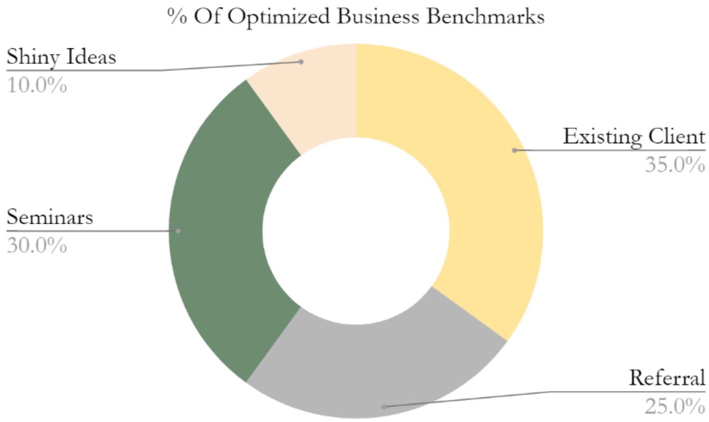
Now you have the hard facts staring back at you. You've seen what this looks like played out in real offices around the nation and what you can expect from each type of business. We've given you benchmarks for each as a roadmap to help guide you in the direction you choose to go. So, now you can move forward in confidence, knowing how you can "do this well".

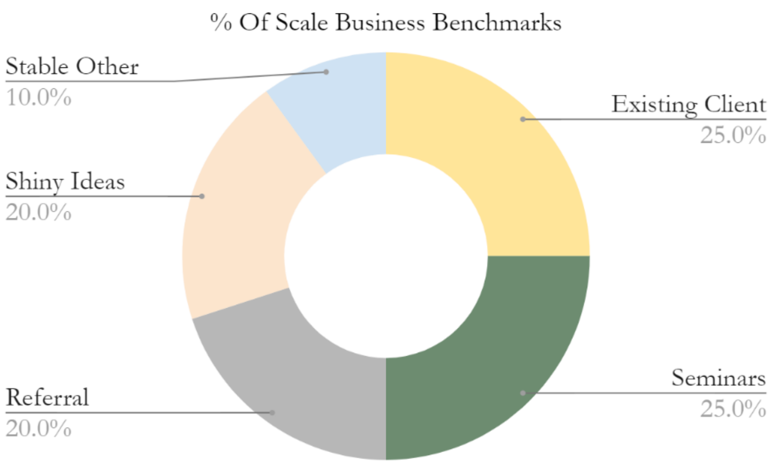
Good luck and Godspeed. And don't forget to enjoy the journey.

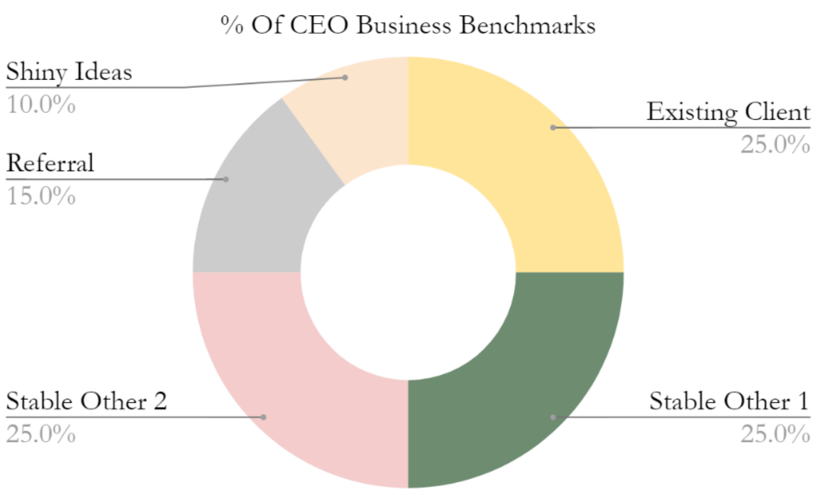
Erica Pauly- Founder- Track That Advisor

Part 5: Benchmarks at a Glance

Marketing Dial Benchmarks:







Prospect Story Benchmarks:

	Set 1st/ Kept 1st	Kept 1st/ Set 2nd	Set 2nd/ Kept 2nd	Kept 1st/ Client	Kept 2nd/ Client
Optimize	80.00%	70.00%	80.00%	40.00%	60.00%
Scale	70.00%	60.00%	80.00%	35.00%	60.00%
CEO	70.00%	60.00%	75.00%	25.00%	60.00%

Financial Benchmarks:

	Optimize	Scale	CEO
Staff Pay	8%-13%	33%-43%	26%-34%
Marketing Spend	4-13%	10%-15%	11%-17%
Owner Expenses	15%-31%	5-13%	6%-12%
Bottom Line Profit	12%-29%	19-36%	21%-30%