

## **Practice Management—Defining your Ideal Client**

Knowing the types of clients you serve best is important for several reasons. It allows you to segment your existing client base and focus your time and energy on those clients who generate the most revenue currently, offer even greater revenue potential, and provide psychic satisfaction. It's also important for obtaining introductions and referrals to new prospects and clients.

Introductions and referrals to new prospects are the lifeblood of a financial advisor's practice. For advisors new to the business, new prospects are essential to building a client base. For established advisors, a steady stream of new prospects promotes further segmentation of existing clients and facilitates greater focus on the advisor's "ideal client." Over time, the best advisors populate their client base with only those clients they serve best, as defined by factors such as income, net worth, source of wealth, and personal, political, and community affiliations.

### **Your Ideal Client**

The starting place for networking with professional COIs is to develop a vision of your ideal client. Selecting the factors for segmenting your clients can be a challenging task. Common segmenters are:

- The client's current assets under management and contribution to revenue;
- Magnitude and complexity of the client's wealth (potential for future contribution);
- Community (political) influence; and
- Personal attributes.

The client's current contribution, as measured by assets you currently manage and current revenues, is important because it drives your ability to sustain and grow your business.

The size of the client's portfolio is also important, because the larger the size of the portfolio the greater potential revenues from assets under management. The complexity of the portfolio is important, because the more varied a client's holdings (for example, interests in closely-held businesses, charitable organizations, trusts, and family limited partnerships), the more likely you are to be able to add value.

The client’s sphere of influence also carries great weight. Influential clients can introduce you to others with significant net worth and needs for your wealth management expertise.

A sometimes overlooked consideration relates to the personal attributes that make clients attractive and interesting. Perhaps you enjoy working with clients who are sports aficionados, wine connoisseurs, or food enthusiasts. Maybe entrepreneurs are your cup of tea, while an appointment with the heirs of old wealth is like a visit to the woodshed. Whatever your personal inclinations, it’s important to identify and honor them.

Cannon utilizes a *Client Ranking Formula Sheet* to help you identify your ideal client.

***Client Ranking Formula Worksheet***

**Client Name:** \_\_\_\_\_

Attributes	Points					Score
<b>Magnitude:</b>						
<b>Current AUM</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
<b>Current Revenue</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
<b>Potential AUM</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
<b>Potential Revenue</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
<b>Influence</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
<b>Personal Attributes</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	

## Niches and Niche Marketing

Many successful financial advisors define their ideal clients in terms of niches. A niche simply reflects a cluster of attributes that describe the ideal client. One such niche includes individuals whose *money is in transition*. These are people going through a significant life-changing event and include

- People selling their business;
- People Retiring with large IRAs;
- People going through civil or legal actions as plaintiffs (divorce, personal injury, etc.);
- People inheriting investable assets; and
- Corporate executives with incentive stock options.

*A niche simply reflects a cluster of attributes that describe the ideal client.*

Other successful financial advisors focus on *established wealth niches*. These include:

- Medical profession;
- Professional Athletes;
- Sellers of “big ticket” items; and
- Business owners.

## Validating Your Niche

In general, there are five factors used to evaluate whether a niche is appropriate for you. These are:

- **Market Viability**—Does your market support the niche? That is, are there enough niche prospects in your geographically or virtually local market to warrant pursuit of this niche?
- **Knowledge, Skill and Insight**—Do you have the requisite knowledge to serve your identified niche? If not, how will you bridge the knowledge gap? Is further learning the answer, or is it more efficient to team with an expert?
- **Door Openers via COIs**—Do you know and have access to COIs who can provide introductions and referrals to prospects in your niche? If not, how will you find and network with these COIs?

## The Bottom Line

Knowing your ideal client is the starting place for segmenting an existing client base and adding new prospects to your pipeline.

Focus on the attributes that work for you, keeping in mind considerations such as current and potential revenue, personal characteristics, affiliations, etc. Also consider identifying your ideal client in terms of niches. By specializing in selected niches, you differentiate yourself from the competition and work more efficiently.

Practice Management and similar topics are covered in great detail in many of Cannon's professional development solutions. To find out more visit: [www.cannonfinancial.com](http://www.cannonfinancial.com).

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