



Winnie the Pooh and the Fee-Based Advisor

You must first change your attitude before you start charging fees for your services.

I read the book titled *The Tao of Pooh*, by Benjamin Hoff, with my 6-year-old son, Brett. The principles of Tao interest me, and Brett has a strong interest in any story involving Winnie the Pooh. It was a classic win-win situation: father and son reading together, both enjoying the other's company while looking for different meanings in the book's message.

In the book's foreword, the scholars, when informed of the author's intention of explaining the principles of Taoism through those famous A.A. Milne characters, exclaimed, "Preposterous!" Others said it was the stupidest thing they had ever read. Some said it was a nice idea, but too difficult. "Just where would you ever begin?" they asked.

Well, an old Taoist saying puts it this way: A thousand-mile journey begins with but a single step. In other words, change your attitude, and your journey will begin.

This mindset has repercussions for financial advisors, especially those whose incomes are derived from commission-based products. When asked to consider developing a fee-based business, many insurance advisors have echoed the scholars in the book's foreword. "Preposterous!" they say. "I'm too old. I can't change. My clients would never understand. And you can't teach an old dog new tricks."

Hardly preposterous

John Moshides, president of Moshides Financial Group, Williamsville, N.Y., is a past president of the Agents Advisory Committee for Phoenix Home Life Mutual Insurance. He is a life and qualifying member of the Million Dollar Round Table (MDRT), with three Top of the Table qualifications and 12 Court of the Table qualifications. He is a black-belt performer in the insurance

business, with a reputation for integrity.

John shared with me the challenges that confront advisors who decide to begin charging fees for their services. He told me he understood the concept of fees and believes he needs to move his practice in that direction. He talked about the enormous investment of his time in insurance planning over the years, not one minute of which did he ever ask for a fee. "We have invested in technology, people and our own wealth-manage-

ment need to compete with.

In the book, *Competing on Value*, authors Mack Hanan and Peter Karp contend that you must know your value, you must price your value, and you must sell your value. "If your clients do not know your value, they cannot perceive it," they say. "They will end up taking it from you. The best clients are those who cannot afford to do without your value."

This thinking resonated with John. He realized that he provided two types of services: planning and implementation. Both were separate and distinct, but what is more important, both services delivered tremendous value. John spent a lot of time reassessing the value of the services that he provides. I encouraged him not to take any of his services for granted.

This is the first step to finding your value. Pricing your value and delivering your value will then become progressively easier as you work to decide on a fee for your planning work.

Developing a fee mindset

Peter Maller, CFP, is a partner with Heritage Financial Consultants, Lutherville, Md. Peter, an MDRT Top of the Table qualifier, said there are many reasons for the need to shift to a fee-based practice. He believes in serving clients and positioning his practice with added professionalism—all the while charging for his services. He offered the following points:

1. When people don't pay for something, they don't value it. Fees link activity with revenue. They link your efforts with results and link programs with sales.

2. You should charge a fee to create a

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ment process," John said. "We have provided services from case preparation to case analysis—and have never asked for a fee. We invested our time and hoped for adequate compensation. Even so, we've never been fully compensated for all the hard work and true value we've provided our clients."

That's the nub of the whole argument in support of operating a fee-based practice. John nailed it when he discussed with me the concept of value. And value is what we

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financial plan for a client, sort of like getting a commission to implement the plan.

3. Your closing ratio should not decline when you charge fees.

4. You should diversify your revenue sources, as any business owner should. You should have fee income, insurance income and investment income.

5. If a client pays a fee, he becomes financially qualified and committed.

6. Fees give you an enviable marketing position relative to your competitors and other advisors. They enhance your image as a professional, and other advisors respect you and treat you as a peer.

Questions for a journey

As you make your introspective journey toward a fee-based practice, consider the following questions. They are taken from a concept I call the Value Ladder.

◆ Who am I? Am I taking my background and experience for granted?

◆ What do I do? Do I have value?

◆ Why do I do what I do? What are my

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business beliefs?

◆ How do I do what I do? What are the services I provide? Are they worthy of a fee?

◆ Whom have I performed these services for? What are my client successes? Do I create an aura of value with my clients?

◆ What makes me different from other advisors? Can I distinguish my company and my solutions, and share what I stand for?

◆ Why should my clients do business with me? Can I articulate my real value?

If you can answer these questions with confidence, passion and speed, your answers should guide you when your clients

question you about charging fees. You'll be ready with black-belt answers—no sweaty palms or nervous feeling in your gut. You know your value, will price it fairly and deliver it with the professionalism you have always provided to your clients.

Take another look at John Moshides. He recently collected an \$1,800 fee for the professional financial advising he did for a prospect. The introspective preparation he did before he began charging fees paved the way to an easy transition.

Listen to Peter Maller, and hear his passion on the subject of charging fees. He believes in the concepts of serving his clients and providing extraordinary value. He also believes that fees are the appropriate pricing model for his clients. And his clients agree with him.

There is real value to spending time with your child and with *The Tao of Pooh*. Open the book with your kid and dive into it. It is challenging, meaningful and fun to read. You never know what lessons you may learn, or what thoughts will inspire you, from the pages of *Winnie the Pooh*. [AT](#)