



Berkshire

DIVIDEND STRATEGY

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"Casual Friday" Commentary

Casual Friday: Summer Hangover? + "Triple Point" – September 13th, 2024

Summer Hangover?

Summer ended abruptly as market participants turned their attention to a plethora of macro crosscurrents... Are rate cuts coming with soft/no landing narrative or hard landing data? 25, 50, 75bps? Will pockets of emerging credit concerns become more prevalent? Who takes the White House? Are AI tailwinds creating enough productivity gain across broad industries to justify current valuations? We're reminded during times like these, when the market seems to hang on every piece of data, it's soooo difficult to time the market.

Buy exceptional businesses at reasonable valuations, maintain a long-term "business owner mindset" and generate a growing dividend income stream – Berkshire's simple and effective philosophy that can help navigate investors through all seasons...

AND this philosophy builds great efficiencies when widely used in an advisor's practice, we believe.

- Remove the phrases like: "I think if the fed cuts, the market..."
- Replace with: "I've reviewed your financial plan, and your income goals are on track"

Advisor Growth Engine? "NO."

We constantly hear -- "I want to grow my business." This statement is often accompanied by a random AUM target and lacks a comprehensive disciplined repeatable process for attaining it. It lacks "HOW".

Potential Strategies?

- Increase the number of households
- Increase the size of households
- Increase fees on existing households
- Offer new services to existing households
- Enter new client segments/niche
- Enter new geographies
- Hire other advisors
- Buy a book(s) of business

...you get the point.

They're all valid. But most, if not all of these strategies have to do with "More" and "YES". Think back to early in your career. You needed revenue to get started. For a time, it was the classic beggars can't be choosers. And from the moment we are taught to maximize

AUM and get clients to say “yes” ... Turning down business is an anathema.

It's no wonder advisors are programmed to say “yes”. “Do you have a pulse and \$100,000? Yes! I'll accept you as a client.” (We're exaggerating for effect) But our point is: not having a more exacting client profile creates a series of one-off products, non-strategic clients, hundreds of tickers in a BOB, compliance issues, lack of scale, etc.

How does an advisor take their practice to the next level with all this noise?

Enter the advisor growth engine of "NO."

In our opinion, the advisors with the highest AUM, productivity and PEACE in their lives are often distinguished by what they DON'T do... they're equipped to say no.

- NO! to letting clients drive the investment decision agenda
 - Instead, they do create a sound financial plan for clients and implement aligned investment allocations (think about this one a moment, if the client is dictating investment decisions to you – why do they need you?)
- NO! to non-scheduled disruptions / menial tasks
 - Instead, they schedule the day with the most productive and impactful activities for clients and their practice.
- NO! to 100's of tickers/strategies in their book of business
 - Instead, they do create a finite amount of high conviction models that are implemented across the ENTIRE book
- NO! to a generalized practice with random clients they don't really love
 - Instead, they do build a niche around a specific group of clients with very specific needs which they have a very specific set of solutions for.

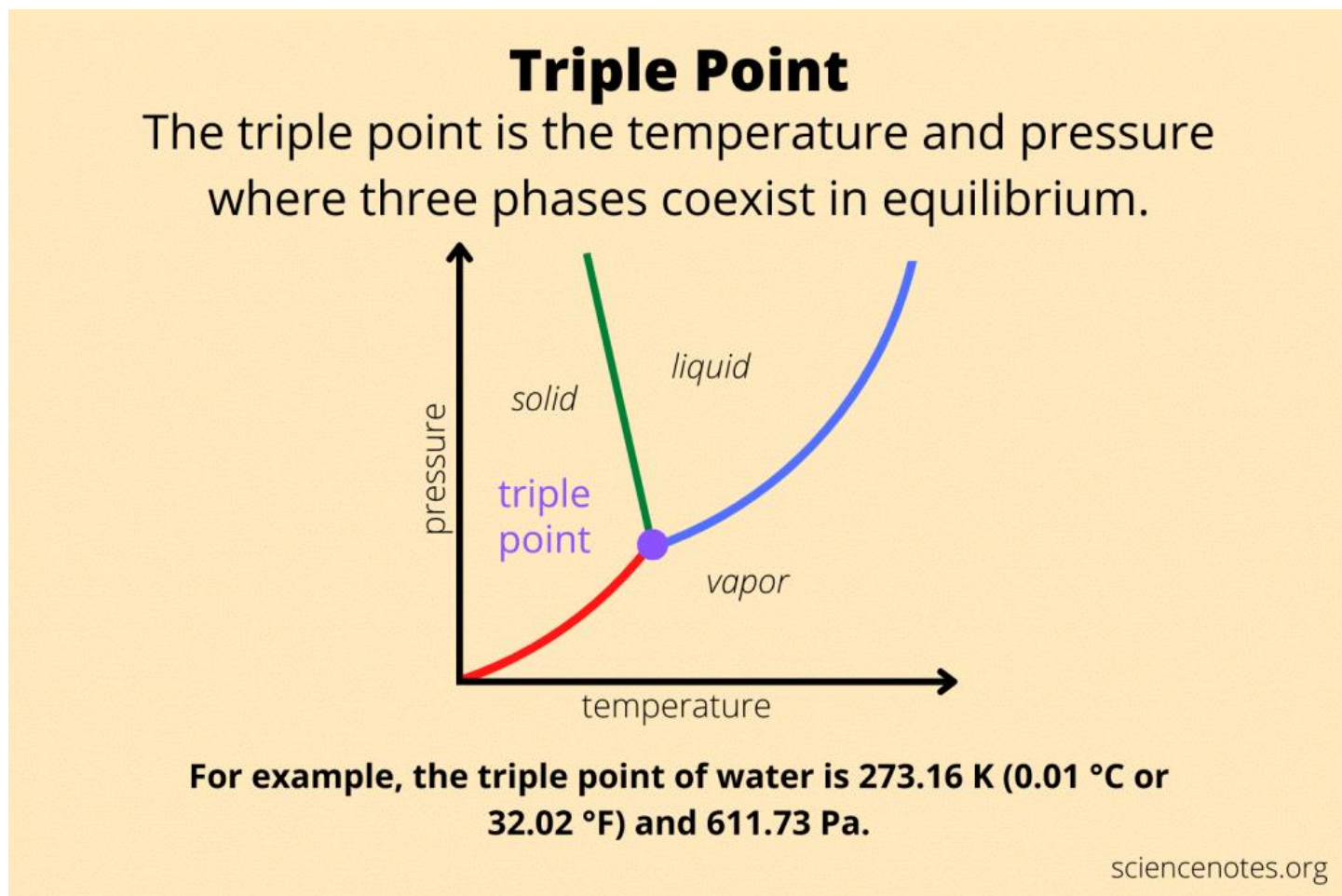
The industry chases “more/yes” to drive growth. No one likes revenue walking out the door. Imagine going to your manager and saying “uh, yeah for the next two years my business is going to be down 10-20%. The industry doesn't seem to teach or like that. Everybody in this business has a quarterly number and a higher-up to report to. And you probably don't like it. But honestly ask “Would saying no to those 20% of clients that take up 50% of my time create something greater?” 50% of your time, restored -- where you can be more focused, work on the highest order tasks, pursue a niche you're passionate about, spend time developing new skills, or relax. We knew one advisor who took this to heart, took 2 years of lower gross, cleared the decks but now works about 30 hours a week...and his production has never been higher.

Kitces elaborates on the “No” playbook:

[Kitces & Carl Ep 137: When Does Your Career Transition From Saying “Yes” To Opportunities And Focusing More On “No” Instead](#)

Mind Blown?! - "Triple Point"

There's actually a temperature and level of atmospheric pressure that water can technically live in solid, liquid, and vapor state at the same time! Source: https://sciencenotes.org/triple-point-of-water/#google_vignette



Have a great weekend!

Gerry

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