



LANA CLARK

# Making the leap to business ownership

An increasing number of advisers are seeking our counsel on starting their own financial planning practice, and having coached many new business owners, we thought it timely to share some insights on this life-changing decision.

There is a considerable difference between being a salaried financial planner and being a self-employed financial planner. It is not simply that your position has changed from having to do what the 'mother ship' dictates to making your own work rules. After years of discipline to be a model employee and striving to be at the top of the pile, being a self-employed financial planner may be a daunting, or exciting prospect, and sometimes both. Undeniably there are benefits to working by your own rules – flexibility, autonomy and the ability to build an asset are all great sweeteners. However, before you make your final decision to jump ship, ask yourself this: What attracted you to being an employed financial planner originally? Are you running away from something that has become too difficult or are you now running towards something more difficult? Being self-employed means more responsibility for those around you, not just yourself.

## START WITH SOME HONEST SOUL-SEARCHING

Whatever your motivation, we strongly suggest that however painful, you need to dig deep to understand why you want to go it alone. Are you really self-employment material or do you have an employee mindset? While you may have talent and exceptional technical skills for financial planning, do you have the same for business ownership? The skills and discipline required to successfully run a business are somewhat different to those required to be a successful financial planner. Do you have what it takes to be both?

## THE BUCK STOPS WITH YOU

Have you truly addressed the financial implications of becoming your own boss? You are leaving a regular income and will now have business overheads to pay. From the outset you need to set clear ideas about

what you are willing to spend in order to get the job done. Some see value in sinking cash into sponsorships in the hope of bringing new referral sources, others may seek out a business coach to assist getting their business going. Like most things, it could be a combination of both. However, it doesn't just stop there, when you are an employee you have the benefit of, and sometimes take for granted, something as simple as a photocopier. You will now be responsible to cover the costs of everything from your printing costs to your information technology, rent and telephone expenses. Many a quality business has failed due to poor cash-flow management. You must understand cash flow and be able to monitor it vigorously from day one.

There are also many advisers who have been provided with an opportunity to purchase the client base they have built while being employed, thus giving them a revenue stream from their very first day in business. Those who have 'cut the cord' and made the mental and commercial shift to running a business have enjoyed far greater success than others who have struggled to lose the employee mentality. Those who take a passive approach to their own business and still expect their previous employer to provide leadership and direction find the grass may not be so much greener on the other side of the ledger.

## FAIL TO PLAN, AND YOU PLAN TO FAIL

Have a vision of where you want to be, be resolute about writing a business plan and realise it is a dynamic document that must be reviewed and updated regularly; it's pointless to write a plan, bind it and throw it in the bottom drawer to be forgotten. We have seen many a lengthy plan that was written for financiers with much detail and sometimes naïve ambition, but very little practical application of the activities that will be undertaken to ensure success of the plan. An effective plan includes the tangible activities that need to be undertaken to achieve the objectives documented, and it will only work when it is acted upon, then reviewed, tweaked and measured on a regular basis.

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## PEOPLE POWER

Inevitably there are going to be cultural differences when you are setting your own rules. Do you want to run your operation in the same manner as the operation you've come from? If not, consider this: taking people with you from one business into another may be a mistake – they may never get used to your rules or the new culture you would like to operate in. While you may be successful at managing relationships with clients, managing staff is a completely different experience. The ability to inspire people to do a great job and achieve their own life and career goals with job satisfaction is in vast contrast to the need to extract all you can from your subordinates. As a business owner you must ensure you manage staff behaviour. It is critical to set expectations from the outset and ensure staff are engaged in your business and their contribution to its success. Before you start, make sure the staff you need and their responsibilities within the business are fully understood and documented. It may be beneficial to start with fewer staff and build on that as opposed to over-employing, only to find out in 12 months that it is time to downsize.

When making the transition from being an employee financial planner to running your own practice, it is vital to do your homework during planning phase. Understand the opportunities, and also be honest in your reflection of your own ability and propensity to be able to do what it takes to survive and thrive in business. If you make the decision to take the plunge, do so with the intention of running it like a business from the very beginning. Be aware you will no longer have the same safety net you had when employed, and yet take every advantage of the support that is available to you as a businessperson through your dealer group and/or independent service providers. The sacrifices you will make and the dedication you will contribute to your business will all be worth it as you see the value of your asset grow. We hope you enjoy the success that you seek. «

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