

# What To Do When Your AUM Fees Plummet

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by Sara Grillo

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What should advisors do when their AUM fees fall? Here are my top five ideas, in order of least to most favorite.

## 5. Move to flat/retainer fees

Imposing this change upon your clients (for the sake of stabilizing your own revenue at their expense) would be a breach of trust of the first order. Does a flat fee *really* align with clients' best interests in a market like this? Is it bad for advisors to feel the pinch in AUM fees when their clients suffer? This is what you meant when you said that your interests are aligned with the client's. Was it sincere or was it what sounded good for your brochure?

Look at it from the client's point of view. How happy am I, really, if I'm paying you the same fee you got paid last year while my portfolio is down 35%? If it were me, I'd want to see you squirm a little bit, too.

Moreover, while I love reading articles about how the profession is moving to being planning-based, I don't see it as reality in the foreseeable future. Look, AUM fees are not going away anytime soon because there is just too much money involved for that to happen. Point blank, period.

No matter how much revenue advisors lose, the ones who have been in business for a long time have already been through bad markets. They know that it's cyclical, it'll come back one day, and there is way too much money to be lost by charging a flat fee. They will grind through and hold out for the good times.

What's so wrong with having investment management be the focus right now? The highest value an advisor provides in a market like this is talking people down from the ledge and preventing them from selling down their positions locking in 35% capital losses. At a time when there is no cash flow, is financial planning more useful than investment management? You don't even have to take RMDs this year! Can you financially plan your way out of a 40% drawdown? Oh you advise me that I should get an SBA loan for \$2MM so my business doesn't fail? Draw up a financial plan for me on that please, I'll pin it to my wall so I'm constantly reminded of my new debt! Thanks for telling me now is not the time to put an additional mortgage on my house or take the entire family on a trip to Aruba! I failed to recognize that every major city in the U.S. is in lockdown right now.

## 4. Paid webinars

This is where advisors move away from being an agent to being a media influencer. However, for those with a significant following, holding webinars with a modest admission fee per participant can work. This will also allow people to get to know you in a relaxed environment that comes with lower pressure than a prospecting meeting.

## 3. Start charging hourly or flat fees for a consultation

Some of you may not be set up for this legally, but if you are (or if you can make the changes to your ADV in a timely fashion), there is certainly a market for one-time consultations. As the world panics, it wouldn't be that hard to drum up some revenue from DIYers who want to check with a professional and make sure things are okay, or who need specific one-time advice on matters such as whether or not they should take a loan from their 401k.

This is a smart option for advisors to offer, even in a time of normal market behavior. People appreciate being met where they are in life, and you never know where a relationship can go in the future once someone has a solid impression of you.

## 2. Find new clients



Here is a sequence that is designed to develop relationships over a period of months. This takes considerable effort so be forewarned. But for those of you who will fight for it, know there are advisors who aren't paying attention to their clients right now, and those clients are ripe for the taking.

Here is a crisis marketing strategy:

- **Establish a list of 20 names.** A focused approach works best with highly affluent people. I'd be happy with a list of five people if they are high-conviction prospects. You don't have all day to sit around calling prospects so be sniper-like in how you pick your targets.
- **One webinar per week** for your clients. This accomplishes item #1 on my list which you will read about soon. Invite prospects to the webinar as well. Set it up as a standing webinar on a certain day and time every week. Use **Zoom conference**; it is free for all meetings less than 40 minutes. I do not care if there are two people on the call. Record it, post it to your website, and post it to social media.
- **Send out one newsletter a week** to clients and prospects. Make it a video newsletter. It can be 20 seconds long and even if the dog is barking in the background, people need to see your face. The newsletter should talk about a useful update, a replay of the week's Zoom call, and an invite to the next week's webinar.
- **10 reach outs a day.** Get prospects onto the webinar using emails, voicemails, text messages, and social media. Develop trust and be devoted to helping people in any way they need it. Do it for your business but do it anyways because for the sake of America we all need to step up and care for each other. Caring actions go a long way and eventually someone will say they are unhappy their advisor hasn't called them.

Be patient. The good news is that people are so scared right now that they are willing to read your newsletter, whereas even two months ago they would have had something better to do. It's unreasonable to expect somebody who does not know you well to sign up for your services. Yes, I know, you want the sale now. But most people will want to "wait until things calm down a bit." An old friend from college will maybe ACAT now. The attorney who was on your webinar two years ago is going to need a bit more time.

Appearing as a resource on a weekly basis will help increase comfort. Just keep providing incredible value and they will eventually come around. If you want to get new clients to sign up sooner rather than later, best to target the people in your network who already have had some kind of interaction with you.

## 1. Get incremental revenue from clients

You will never be more valuable to your clients than you are in a crisis like this. The best opportunity to increase your business is to communicate as effectively as possible with existing clients. They need to see your face; get Zoom meeting or another form of videoconferencing (Skype, GoToMeeting, etc.) instead of the phone.

Having client webinars once a week (See #2) deepens your relationships with clients. Record these meetings and email them with your weekly newsletter. Have the setting enabled so that people's ID are not on display. Assume your clients wish to remain confidential.

## Sara's upshot

Above all, the most important thing is to show people your heart and to lead them through a hard time. Stay positive! Avoid any negativity whatsoever. Stop watching the news and don't even think of tweeting that picture of your cousin who is an overwhelmed ER doctor. No matter how hard it gets, be excessively positive.

Show people what you are made of! Your heart is the best marketing pitch!

My membership is a resource for advisors who don't have a large marketing budget but want some form of guidance.

*Sara Grillo, CFA, is a marketing consultant who helps investment management, financial planning, and RIA firms fight the tendency to scatter meaningless clichés on their prospects and bore them as a result. Prior to launching her own firm, she was a financial advisor.*