

Outsourcing Hiring

basis, slowly expanding the circle over time. "Everybody thinks they SHOULD network, and they SHOULD ask anybody who is a client for referrals," she says. "That's what people tell us. But it's a recipe for getting the wrong clients."

If you follow Jetton around for a week or so, you begin to get a hazy glimpse of 21st century planning in the form of different puzzle pieces settling into place. Exploring a client's quality of life during the third and fourth stages of life fits nicely into Lee's Four Factor planning model, helping clients maximize their happiness and pleasure in the future, applying life planning tools to future circumstances. When Jetton offers advice on careers, building a portfolio of skills and taking a mercenary attitude toward the work environment, she's extending the planning work into a second part of the Four Factor model: human capital.

Her Direction\$ work, meanwhile, suggests that planners can extend their services in a new and unforeseen direction: helping people achieve the basic financial literacy and comfort level that they need before they can become planning clients. And, bigger picture, advisors can offer a sense of community in a world that is becoming increasingly volatile and unpredictable.

Consider Jetton's work as more evidence that the planning service is evolving. My guess is that in 10 years or so, the current focus on a client's portfolio will seem a bit quaint and primitive. ■

Synopsis: *If you are avoiding the hiring process because it's too darned labor-intensive, then you need to check out New Planner Recruiting.*

Takeaways: *New college graduates want to work at a firm that has an organizational chart, clear job descriptions and a career path. They're familiar with compensation and staffing studies. Among NPR's services: creating a compensation plan that fits your firm.*

Sometimes, it takes a while to spot a new business opportunity. For Caleb Brown, of New Planner Recruiting (www.newplannerrecruiting.com), the business opportunity was banging hard on two doors at once. "I came out of the Texas Tech financial planning program in 2002, and had to get an internship to graduate," he recalls. "I had no idea who to interview with or any real understanding of how the firms worked, what it meant to be fee-only or fee-based, or what licenses I needed. And the advisors I talked with had no idea what I could do or what training I'd received," he adds. "Experienced planners would ask me, now that you're graduating, does that mean you have your CFP designation?"

Brown eventually found a job with a small fee-only firm in the Dallas area, but many of his colleagues weren't so lucky. "They would be hired by an insurance company," he says, "and the company would tell them to call

all the members of their family and sell them a whole life policy. Or they hire on with a brokerage firm, which would tell them to cold call and recommend stocks, or, if they were working with an independent RIA, their university training would be used to fill out Schwab forms all day long." Many of those people eventually left the profession, and Brown looks back and realizes that if they could have landed in the right position, with an advisory firm that understood what they were trained to do, they might have become great planners. "We've lost a lot of talent over the years," he says.

After spending a couple of years in the work world, Brown volunteered to take over the career development activities at the FPA's Dallas chapter and focused it on bringing together students and advisors in various settings. He created a career day program, mentorships and internships, and he encouraged students to attend

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regular chapter meetings. But once again, the students weren't sure what to expect at an advisory firm. They asked for some hand-holding as they went through the interview process and sorted through their career opportunities. At the other door, the experienced advisors were less-than-astute about how to use this university-trained talent.

"People would say to me, Caleb, thanks for bringing all these students to us and setting up these career days and all these programs," he says. "Then they'd say: but you know what? I'm a financial planner. I'm a money manager. I am not an HR person. I don't know how to interview, I don't know how to hire, and I don't want to spend my time creating job descriptions. Can't you just find me somebody?"

Slowly, it began to dawn on Brown that there might be a business opportunity somewhere in all the earnest requests from new graduates and advisors. "I ran into Michael Kitces at a NexGen meeting," he says, "and I found out he was doing the same sort of things that I was doing, up in the Washington, D.C. area. So in 2008, we started talking about turning this into a business."

New Planner Recruiting was born the following year, in the bitter teeth of the Great Recession.

What does it do? Basically, everything you would need if you have a position to fill--which, as it turns out, is a lot of different chores that, when you lay them all out, explains why so many advisors are reluctant to hire new people

into their firm. Brown now has six years of experience at a small advisory firm, which gives him insight into his primary clients. "I know what it's like to work in a small firm where I have to wear 30 hats in one day," he says. "I can relate to both sides."

Let's go through New Planner Recruiting's service from start to finish by imagining that an advisor is asking for help, and using actual answers that Brown gave me in our interview. It won't just help you evaluate the New Planner Recruiting service; it also provides an interesting education in all the nuances of hiring college graduates in this day and age.

"Caleb, I read about your service and you know what? I've decided to hire somebody to take some of this work off my desk. Can you send somebody over next week?"

"I could, but they probably wouldn't take the job."

"Why not? I'm ready to offer them plenty of money."

"The new advisors coming out of college--and especially the best ones, the ones you'd want to hire--won't consider a job unless you have a fairly comprehensive job description and an organizational chart that shows how they fit into the company. Believe it or not, having meaningful work at a well-organized firm is more important to a lot of them than the starting salary. And if you don't have those things in place anyway, it's hard to know whether they're doing what you need them to do in the office."

"But there's no way I have the time to do all that."

"Of course not; in a lifestyle practice like yours, your time is better spent with your clients. Before we go into my database, we need to sit down and decide where this person is going to fit in, what type of work you need done, is there a career track, and--"

"Career track? I just need somebody to get this work handled."

"Do you think anybody who's any good is going to want to be doing the same menial tasks for the rest of their career?"

"Okay... But it sounds like it would be easier to just keep doing the work than to prepare my office for the person that would do it for me. What, exactly, do I have to do?"

"I'll be doing most of it. After we talk, I'll create an organizational chart if you don't already have one, and you really need one anyway for your current employees and any future employees who are going to want to see that you have your stuff together. If not, they're going to wonder about your seriousness and go somewhere else."

"And then what?"

"Once we know where everybody fits and where the new hire will go, I'll write a job profile that lists the things this person will be doing in your office. Then I'll create a job description and see if I anybody in my database is a preliminary fit. By the way, how are you on working with Generation-Y employees?"

"I've never had one. But I'm pretty much okay with anybody who comes in early and works their tail off and commits to staying in the office as late as the job requires."

"In that case, it might be better if we looked for a career-changer rather than a university graduate. Gen-Y people put a high priority on work-life balance. That doesn't mean they won't work really, really hard, but they might set a firm boundary of leaving at 5:00 and having dinner with the family, and they might not think it's out of line to ask for next Thursday and Friday off if something comes up."

"Sigh. But they'll work hard?"

"You just need to be prepared for a different way of measuring hard work. In the Gen-Y world, they're more impressed with the person who can get the work done on time and get home for dinner, rather than the person who's in the office until midnight. Gen-Y people want to work at a place that has a good culture, that is fun, and they want to know the owner has thought things through, and is committed, that they are providing value to the clients and they're being challenged."

"I'll challenge them all right. So what else do we have to do to get this person working on all this... CHALLENGING stuff I have on my desk?"

"After I write the job description, I've had a lot of firm owners come back and say, Caleb, just you giving me that, and getting my organization clarified, saved me a lot of time right there. Because no two firms are run exactly the same, and so there's a lot of variation in what the new advisor will be expected to do from firm to firm. There's really no standardization.

And I also talk to your employees, and ask them what they think you need, which lets me identify things that maybe the firm owner wasn't aware of or didn't share. They usually open up to me, because a good fit will make their jobs easier, and everything they say is confidential.

"But you asked about the next step. We have to pre-screen the candidates, evaluate their skills and their character and their personality profile."

"Good lord. I'd rather have you throw me in a pit of alligators than do any of that stuff."

"Fortunately, that's MY job. I call all of their references personally, at least three of them, no friends or family, but people they've worked for or professors, or somebody who can talk to me about their character and workability and their skillset."

"I guess I could do that part of it."

"It's surprisingly harder than you'd think. It can be difficult to get these people to return your call, and there is some liability there. People can't get on the phone and start slamming the candidate, because they could end up getting sued. In my experience, it is a lot of phone tag--but the good news for you is that having me do it saves you a lot of time.

"At the end of the process, after the final candidates are selected, I'll do a background check to make sure they don't have a criminal record, and that they graduated from where they said they did."

"You said something about a

personality profile?"

"Most of the time, I have both the firm owner and the candidates take the Kolbe test for their work-style and natural instincts, to see how the firm owner envisions the role, and how the candidates can deliver on those expectations. Sometimes I'll have the candidates take the Caliper or DISC profile, because those are more in-depth reports, and help us evaluate how the candidates think. And it can provide a good coaching guide on how to manage these new hires and what they need to be working on and what their weaknesses are."

"What about actual real-world skills? Do you find out if they have any of those?"

"Of course. First, on a questionnaire, I make the candidates rank their proficiency on Excel and on various industry software."

"Yeah, and I'll bet they're all above-average."

"That's why we go to the second part, where I give them exercises and tests. How well do they handle Excel? Can they program using the macros, are they familiar with the basic formulas, can they link different workbooks and cells, do the time value of money calculations accurately and so forth? In other words, are they a power user, are they proficient, or do they just know how to build a formula? What do they know about which financial planning software programs? Do they know how to format things, to make the information presentable, and use color and charts?"

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"I don't know how to do most of those things myself."

"Which is exactly the point. With a lot of firms, the new hire, particularly a university graduate, really ought to give the employer an upgrade in the office's overall computer sophistication. So the question I'm trying to answer up-front is: are you getting what you expect and need?"

"What if they can't spell? What if they use that weird grammar these kids use when they're sending text messages or that twittertweeting thing?"

"We test for that too. I have them do a writing sample where they explain their recommendation for a given client situation. A lot of times, if the writing skills are poor, I just take them out of my recruiting process. But most of the time, I consult with them, and show them where they need to raise their technical skills if they gave an incorrect or incomplete answer, or work on their communication skills. We're not expecting them to be experts in Roth conversions, but I want to see if they can be taught and coached, and if they can communicate clearly with clients."

"So once you do all that testing stuff, that narrows our candidates down to a certain number that might be appropriate for my firm, right?"

"Right. I try to narrow the field to between three and six quality people that I think you ought to spend time with, usually a half hour phone call or Skype interview. Beforehand,

I'll debrief you on how they did on the screenings, how I ranked them in various ways, and I'll set up the interviews--which is a lot of legwork, trying to get everybody on the phone at the same time."

"Here's the part I'm dreading. In the interview, how do I know what to ask these people? You know, I ask them, what are your biggest weaknesses, and their inevitable answer is: how would I know? I never had one. Or they say, well, you know, I guess I DO work way too hard; I hope that's not too much of a problem for you."

"A lot of the questions, I've already asked in my screening. But I do give the firm owner some questions to pose, and I coach them in the interview."

"Like, what kind of questions are we talking about?"

"Some of them are easy. Did they play sports when they were younger? What sport did they play? That tells a lot about them. Was it a team sport? An individual sport? Can they take coaching? Can they take someone yelling at them, or constructive criticism?"

"Mostly, I want to get them out of that 'I have to be very careful about my answers and reveal as little as possible so they won't have a reason not to hire me' mode."

"That's exactly right. A question might be: tell me about a time when you didn't get the outcome you wanted. They can't dodge that and say, well, gee, I've always gotten the outcome I wanted. I tell my owner clients: put them in situations. When I'm interviewing, I bring up a client;

a client called and told me this. What would you do? We're not necessarily looking for a 'right' answer; I just want to see how they think through it. When you get them thinking on their feet, you can see how resourceful they are.

"Plus I talk to them beforehand. This is like a marriage. If they try to play coy in the interview, it's going to rear its ugly head later on. I try to get both sides to lay it all out on the table."

"So let's say we find somebody, and you do the background check, and I want to hire this person. I see on this list of services something that scares the hell out of me: you assist in developing a compensation package."

"You find that scary?"

"Are you giving away the store? I thought I was the one who was supposed to decide how much they're going to get paid."

"It's funny; a lot of firm owners really like this part of our service. Of course there are surveys and salary studies out there, and in my experience the candidates are more familiar with what they say than the firm owners. But every firm is different, every compensation structure is different, so when we're on stage one, as you and I are right now, I try to get feedback on what you want to offer this person.

"If you say to me, Caleb, I want to get a CFP advisor with three years of experience, and I want to pay her \$15 an hour, this is not going to be a good fit for anybody. Then I have to coach you to understand that there is no way

we're going to be able to do that."

"So what does this compensation part of your service entail, exactly?"

"I take your framework, and I have the industry studies, and I also have the benefit of seeing how all these other firms structure their compensation arrangements. I'm not a compensation consultant, but I can tell you what these people are typically paid, how it is typically structured, and here is what you ought to think about offering."

"Are we talking about salary, or all that complicated bonus and profit-sharing stuff too?"

"There is usually a salary plus incentive. We always try to tie it to something that is beneficial to both parties. For example, where I see a lot of firm owners make mistakes, they bring in an entry-level planner and say, we're going to pay you X, but if you bring in clients, we'll pay you a little bit on that as well. But when you look at the job description, it doesn't say anything about bringing in clients. And quite frankly, they're going to be so busy, they probably aren't going to be bringing in clients in that first year regardless of what you said."

"So what might the whole compensation thing look like?"

"Let's say you're hiring this person, and her job is to do the planning work. As long as the clients are happy, after we survey them, she is going to get a bonus. And she might get an additional bonus based on how many plans she has done. That is something she can control. It incentivizes

the new employees to be detailed and not miss things, and take care of clients, and increase plan production."

"Would that be customized for every single firm?"

"Yes. It depends on the role, on the job description. Another firm might incentivize client service or investment analysis. The question is: what do you want to incent them to do well and do more of?"

"Is that all we have to worry about in terms of compensation? Please find a way to give me a 'yes' answer."

"Well, I also let my owner clients know what other firms are doing on health insurance and retirement plans and vacation days and holidays. With these Gen-Ys, a lot of them are willing to work for a little less money if they can get one Friday off every month, or if you can buy them a free gym membership. Truthfully, there are all these little quirks. It's all about understanding the candidate, and the generation that you are hiring, and the comfort level of the firm owner."

"Now, I don't exactly know how to phrase this delicately, but the candidates who are NOT selected, I don't want to have to call them and give them the bad news myself, and have them cry on the phone at me."

"That's why I handle that too. The feedback I get is: Caleb, we're so glad that you're going to be calling the rejected candidates. It's surprising what a big value-add that turned out to be. I let the other candidates know that we aren't

going to be moving forward with this opportunity, but they're still in my database for other positions we're exploring."

"So what does all this cost? You've convinced me that I need your services, but I don't have a whole lot of money to throw around. I'm a sole practitioner here. Let me talk you down, if I can, which is something I happen to be very good at."

"I recruit for one type of firm--the smaller practice--and one type of position--the person who has less than five years of experience. So I have some economies of scale and leverage. The fee ranges from \$6,000 to \$10,000. If you ask for a new college graduate, then you're paying \$6,000 for my services. If you need an associate planner with four years of experience at another firm, those people are a bit harder to find, and that puts the cost up toward the \$10,000 part of the range."

"Do I have to pay you up-front?"

"You pay me \$1,000 up-front, which covers the cost of testing and some of the other things I have to do, and then you pay me \$5,000 or \$9,000 or whatever the rest is after you hire somebody. I guarantee the candidate for 90 days, which means that if they leave or are terminated for cause, I'll find you somebody else at no additional cost."

"Suppose I want somebody with 10 years of experience?"

"Well, that's not really what I do, and I'm a big believer in sticking with my niche. But we've

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been getting bombarded with calls from firms saying, Caleb, I need somebody with more than 5 years of experience. So we helped start a new firm, just within the last 3 months, called Experienced Advisors Recruiting, headed up by Dave Moran. So advisors looking for somebody more experienced can call up somebody who has his CFP, who had his own firm in Florida, and find quality people who are at his career level."

Brown says that hiring a new advisor is a lot like bringing in a new client; the two sides have to be comfortable with each other, and there can be a lot of heavy-lifting in the early stages of the relationship. He views New Planner Recruiting as an outsource opportunity for a very labor-intensive, very important process in the life of any advisory firm--the more so with smaller companies that don't have a dedicated human resources person or team.

Meanwhile, Brown and Kitces are sending out tons of good information about hiring, including a recent white paper on generational differences in the workplace, that you can receive just by signing onto the New Planner Recruiting web site.

For those of you who have been shying away from hiring people because you just don't have the time, or aren't sure where to start, this new service could be the key to getting your life back. ■

Practice Management

Automated Error-Hunting

Synopsis: *A new software program called ReportCheck offers a way to identify and fix errors in your PortfolioCenter client records.*

Takeaways: *This article lists some of the errors, and causes of errors, that can crop up in your database. It also suggests that PortfolioCenter may become more open-source in the future.*

Some of you undoubtedly remember John Norwood as the founder of Performance Technologies, creator of Centerpiece, which emerged as a strong competitor to Advent in the portfolio tracking and reporting space. Performance Technologies was subsequently purchased by Schwab Institutional and its flagship program was renamed PortfolioCenter. Norwood stayed on with Schwab until December 2008, when he left to found Norwood Consulting, based in Raleigh, NC.

What does Norwood Consulting do? If you're a software developer or have a need to do customized extracts of PortfolioCenter data on your web site, Norwood is your go-to person. Last year, one of his projects was to build a seamless data exchange between PortfolioCenter and Junxure, the popular CRM program.

Meanwhile, Norwood has

created a new software product called ReportCheck, which could be VERY useful to members of the planning community. ReportCheck functions kind of like the spell-check program on your word processing software, except that instead of words, it automatically identifies missing information or errors hidden among those reams of client account data that live inside your PortfolioCenter files. The program automatically looks for missing prices, for any assets that are not assigned to an asset class or sector, for out-of-date values, invalid or missing benchmark/index returns, unreconciled accounts, missing market values and a variety of other things that can mess up your ability to accurately track and report client investment performance.

At this point, many advisors are scratching their heads, wondering why they would want or need to check the cleanliness of their client account data. If