

The Objective Review
By Josh Patrick, CFP®
President, The Patrick Group, Inc.

A business has one job, which is to service the needs of the Customer. If the business does a good job of fulfilling its mission, it will be rewarded by gathering enough income and excess capital to pass on to the owners of that business.

Adam Aardvark had built a very successful business. His annual sales were five million dollars per year and he was taking a salary home of \$200,000 per year. In addition, his company was showing a profit of \$400,000 on an average year. Adam had just turned fifty five years old. He was starting to think about the next stage of his life and wasn't quite sure what he wanted to do.

Adam is a prime candidate for the Objective Review. He needs to gain clarity about what he wants out of his life. He has achieved a certain amount of success and he now has an interest in learning what his options are as it relates to the success he has built. Adam has a feeling that it's time for him to move from success to significance in the activities he focuses on in his life.

Adam's brother Alan also has a business. His business is not quite as successful as his brothers. He also is making \$200,000 per year in salary with his sales being about five million on an annual basis. However, his business has profits that vary a great deal. Some years they hit \$300,000, but there are also years where he loses \$100,000. Alan just turned 53 years old and is wondering how he's going to sell his business and retire.

Alan also is a prime candidate for an Objective Review of his situation. Unlike his brother, Alan has basic survival questions he wants to get answered. He needs to know whether he's going to be OK financially when it's time for him to step back. An Objective Review with Alan will focus on putting consistency in his business and carving out money on a more consistent basis for retirement purposes.

Both brothers have reached an age where they are looking for answers to questions they never had before. Among them are:

- How do I know if I'm financially independent?
- How do I improve the value of my company?
- What are my options for the disposition of my business?
- What role do I want to play in my business today and in the future?
- How do I protect my assets?
- How do I integrate the next generation of managers into my company?
- Who do I want to run the business after I'm done with it?
- How do I invest the proceeds from my business after I sell it?

- What do I need to do to be able to stop working?

Alan and Adam had used consultants in the past and both work with financial advisors, but they always felt there was something missing. It seemed that when they started one of these projects, the real purpose for the consulting was to sell something the advisor had to sell. Then one day, they ran across an advisor who told them about The Objective Review. They certainly liked the name, but wondered what would be different this time around.

An Objective Review will always start with no preconceived ideas about what's important in your life. The goal is to always first understand what the issues are and then look for highest value projects to address first. These high value projects are those that provide you with the best opportunities for moving forward in achieving your goals.

Both Adam and Alan wanted to know what their time commitment would be for the Objective Review. Like many entrepreneurs, they had limited time and patience for a program that would take hours and not produce anything of value for them. The advisor let both of the brothers know that the process would probably take about six to nine hours of their time. At the end of this time, they would have a very good idea of what the next logical steps would be for them.

Both brothers liked the general idea so far, but wanted to know what the specific steps were. The Advisor laid out the steps as follows:

1. Assemble financial information for the Advisor to do a financial blueprint outlining their present finances as it relates to financial independence. (two hours)
2. Filling out a series of questionnaires that helps the advisor understand what sort of plans you are willing to do. (one hour)
3. Having an educational session where the brothers would learn about low hanging fruit, the four boxes of financial independence, and the power of it. (two hours)
4. Having an interview with the Advisor and their spouse where each of the strengths, weaknesses, opportunities and threats are identified. (three hours)
5. A final meeting to agree on low hanging fruit and the next steps. (one hour)

Both the Aardvark brothers liked the limited amount of time it would take to get the analysis done, but they weren't sure what the five steps meant. They also wanted to understand how The Advisor could provide them with the expertise to answer all of their questions.

The Advisor explained that technical competence comes in two flavors: competence to know what can be done and competence in knowing how to do it. The Advisor made sure the brothers understood that although they both had different needs, his first job was to help them through using his competence on what could be done. His initial job was to act as an opportunity identifier for them. This would help them find the "low hanging fruit" that could bring the best results with the least amount of effort.

Once the “low hanging fruit” was identified, the appropriate roles that needed to be filled would become obvious to the Advisor and he could help put a team together that could provide the advice needed for a successful outcome.

The Advisor pointed out that one of the problems with many advisory relationships is the provider often tries to push Customers towards a solution they can sell. He pointed out to the brothers that the key to The Objective Review was spending all of your initial time understanding what was important to the brothers and their families. From there, they could then decide as a group how an implementation team should be put together to help them achieve the outcomes they wanted.

The Advisor went on to explain that the five steps for the Objective Review were all aimed towards one goal: helping all the participants become absolutely clear about what needed to be done next.

The Advisor was reasonably convinced that he would be working with Adam to help him change his relationship to his business. However with Alan, the goal would probably be much more concrete. Meaning that he suspected Alan had not yet accumulated enough assets to provide for financial independence when it comes time for him to leave his business.

Adam and Alan now understood the basics, but needed to have a detailed outline of what specifically happens in each part and what the outcome of each part of the Objective Review was going to be.

Educational Conversation

At the end of the initial conversation the Advisor had with Adam and Alan, he reviewed the principles that would be covered during the Objective Review. He wanted to make sure that the brothers would have a clear understanding of what they could expect from the process.

The Advisor wanted to make sure the brothers understood that the goal of The Objective Review was to identify two or three projects that could be accomplished over the next year and add a great deal of value to each of the brother’s lives. The Advisor called this the process of identifying the low hanging fruit.

The Advisor wanted the brothers to also know why the financial blueprint was always the starting point in all engagements. He needed to know whether the suggestions he would make would center on financial independence issues for the brothers or helping them manage their relationship to their business.

The Advisor had learned that with business owners who are over fifty years old, if there was not a clear path to financial independence, strategies that would address these issues were always most important. However, with his Clients who had achieved or were well on their way towards achieving financial independence, the obvious activities were centered on organizing the business so the owner could change the role they played in the business.

Financial Blueprint

The Advisor explained that this was the basis of the Objective Review. First, it's important to understand where you are on the road to financial independence. Collecting your personal financial information allows us to provide an evaluation of where you are today as it relates to financial information. We also will know at the end of this process if the strategies you are presently using will likely have you be financially independent when it's time to leave your business.

If you are likely to be financially independent, as the Advisor suspected would happen with Adam, the engagement can move towards changing Adam's relationship with his business, whatever that would look like.

The Advisor also suspected that Alan might not be financially independent. That meant that it would be highly likely, the area of most opportunity would be value drivers for the business. Value drivers are things that Alan could do to first make the business more profitable and valuable and second carve off assets for financial independence.

After the Blueprint is completed, both brothers would have the first building block of knowing what their economic life looked like and what options that provided from them today and in the foreseeable future.

The Interview

During the interview the Advisor would speak with each brother and their spouse about the important issues in their business and personal life. The conversation started with the following question: If we were to get together three years from now, what would have to happen during that time for you to feel as if you were successful? This question would be asked around the major strategic areas in their life. Some of these strategic areas are financial independence, business ownership, business profitability, health, family relationships and management of the business.

After the key question is asked, there is a short conversation where the Advisor would speak about what the strengths and weaknesses are that could in turn help or keep you from achieving your goals. What are the opportunities and threats that could help or hinder this outcome?

The final question we asked was what happens if you actually achieve the outcome you outlined? This question helps us understand what changes the organization will need to

make. This allows the brothers to do a secondary check on how much they would like to achieve their outcome that gets answered in the visioning question.

The Questionnaires

Part of the process of having an Objective Review involves getting an understanding of what activities provide energy, what Adam and Alan's point of view towards risk and strategic directions are and getting a general idea on standard questions the Advisor wants all of his Clients to answer.

The questionnaires are done before the Interview. Having an opportunity to review Adam and Alan's answers to their questionnaires allows the Advisor to ask better questions and use the time they will spend during the interview in a more productive manner. The Advisor wanted to make sure the time he spent with Adam and Alan was of high quality which allowed them to have a more productive conversation.

The Action Conversation

Adam and Alan had met separately with the Advisor about their individual businesses. They also included each of their spouses in the conversations so everyone was on the same page. As the Advisor suspected, Adam's suggestions were focusing on the role he played in his business and Alan's were on making the business more valuable so he could afford to retire in the future.

During the Action Conversation the Advisor wanted to get agreement from both Adam and Alan on which strategies they wanted to pursue. They also needed to agree on what role if any, the Advisor would play in getting these strategies implemented.

During the Action Conversation, the Advisor emphasized that it was crucially important someone play the role of General Contractor in designing and implementing the action steps they had agreed on. Without a General Contractor on board, there was a high probability that focus would be lost and the outcomes needed from the action steps would never be achieved.

The Advisor spoke with Adam and Alan about whether the General Contractor would be a project manager only or a project manager that also helped with specific work that needed to be done. The Advisor pointed out to Alan and Adam that picking low hanging fruit was like building their business headquarters. First, you wanted to choose a contractor that could provide the needed outcome. You then let that contractor assemble a team that would be responsible to Adam, Alan and the contractor at the same time with the contractor having the authority and responsibility for assembling plans and processes that would provide Adam and Alan with the outcomes they wanted.

Annual Follow Up

It's now a year from the end of the Action Meeting. The Advisor is holding separate meetings with Alan and Adam. They are once again going through an interview meeting setting possibilities. Both brothers had good progress and it's time to evaluate and find more low hanging fruit.

The Objective Review done annually allows you to make sure strategic actions are implemented and new directions started. Remember, the planning process is a marathon. As you achieve goals, new ones will appear that can add even more value to your life. Finding an Advisor who can guide, coordinate and has a system for the process will provide you with a higher probability of success than doing it alone.