

Steps and Strategies to Build a Smart & Successful RIA Business Plan



Introduction

As a financial advisor, you probably already know that having a comprehensive business plan is the foundation of your firm's success.

A business plan is a document that outlines the goals and strategies of your firm, as well as the resources needed to achieve them, guiding you through each stage of starting and managing your business. You'll use your business plan as a roadmap for how to structure, run, and grow your business. It's a way to think through the key elements of your business and to set short and long-term goals.

A business plan is not just for new businesses. Established firms can also benefit from revisiting and rewriting their plan as a way to refocus your vision and goals and even motivate staff. Let's look at how to write a business plan that you can stick to and help guide your operations as you get started.

Understanding Business Plans

The first step in creating your business plan is to understand your business. You need to identify your goals, finances, your team, and the future planning and direction of your business. Whether you're creating a plan in an effort to attract investors and raise capital, or to use internally to provide direction, a well-structured business plan requires a great amount of thought and consideration.

When properly executed, your business plan will assist you in staying on track to

meet all of your business' goals. And while there's no set format required for a business plan, we'll review the several key elements that are typically included in what is considered to be a traditional business plan and is typically required by lenders and investors.

Traditional Business Plan Elements

Executive Summary

The executive summary is the first element of your business plan, and critical. This is where you create your best elevator pitch for your firm. You have to be able to put the basic facts of your business together in a way that will grab investors' attention and pique their interest. You must be sure to include:

- Your business's name, the products or services you're selling and what marketplace you're entering.
- An explanation of what your business does, and provide a brief overview of your financial health and current successes.
- Your mission statement, and why your business will be successful.
- The purpose of the business plan, whether that be for internal direction or to attract investors.
- Financial information and high-level growth plans if you plan to ask for financing.

What does this mean for financial advisors? Include a high-level overview of the services you provide. Include your firm's mission statement at a minimum. If you are seeking investors, you will need to include more details about the services you offer or plan to offer in the future.

Company Description

Use your company description to provide detailed information about your company and the industry you'll be operating in. Go into detail about the solutions your business provides and what sets you apart. Be specific, and describe the profile of your future clients if possible. Key to this portion of the business plan should be your ability to differentiate your business from that of your competitors.

In the description, you'll need to include your business's registered name, your business address and any key employees involved in the business, such as the

company's leadership team. Also include the structure of your business, such as sole proprietorship, limited liability company (LLC), partnership or corporation. This is the time to specify how much of an ownership stake everyone has in the company.

Finally, include a section that outlines the history of the company if it isn't new, and how it's evolved over time. Remember, your company description is the place to share your strengths.

What does this mean for financial advisors? Be more specific with the markets or demographic you will be serving. What will make you unique among other fiduciaries, or what will set you apart when marketing to potential clients? Be as detailed as you can in this section with regards to the operations of your business, and present resumes or bios on yourself and key leaders or employees.

Market Analysis

In this section you can explain your advantages over your competition, and support these claims with data. With knowledge of your industry's outlook and of your target market, utilize research to show what other businesses are doing and how your strengths can be leveraged into a successful business.

By showing how what you're offering is vital to the market and fills an important gap, you can also situate your business in your industry and illustrate a path to future and sustained growth.

What does this mean for financial advisors? This is the time to show those amazing business forecasts and projections. Provide data, and back it up with reasons or explanations for your future success. Are you unique in your local market, or offering a niche product or service that is in demand but not readily available? Tell the story of why you are in business and the reasons you will be profitable and successful for years to come.

Marketing and Sales

Here, you present your marketing plan for growing your business. Describe how you intend to attract new customers, and retain existing ones. Your strategy will inevitably evolve and change to fit your unique needs, so be sure to include how that process will be handled.

You can also describe how your sales process will actually work. Being able to refer to this section later when you make financial projections can help provide transparency and assist in further developing your marketing and sales strategies. If you have performed any market research towards this end, include it here.

What does this mean for financial advisors? Give examples of the outlets you plan to utilize in marketing your firm. Graphs, charts, numbers — present all of the market research you've performed in a clear and concise way. Be clear about how you plan to execute your business plan.

Financial Plan and Projections

Present your company's budget and define your planned weekly, monthly and annual spending. Consider your business' operational costs, including rent, payroll, and technology needs, for example. Include all set costs that are relevant to your daily operations.

Marketing and sales costs should be on this list as well. While they may fluctuate more than your day to day operational dollars, it is just as crucial to your business and should be noted here for that reason.

Provide realistic financial projections in this section. Your goal is to show that your business is stable and will be a financial success, without setting financial benchmarks that are too high to be realized. If your business is already established, include income statements, balance sheets, and cash flow statements for the last three to five years.

Provide a prospective financial outlook for the next five years. Include forecasted income statements, balance sheets, cash flow statements, and capital expenditure budgets. For the first year, be even more specific and use quarterly — or even monthly — projections. Make sure to clearly explain your projections, and match them to any potential funding requests.

What does this mean for financial advisors? This is another great place to use graphs and charts to tell the financial story of your business. The more information you can compile and provide, the better. Show what's working, and don't shy away from identifying any services that may be lagging behind other areas of your business. The more transparent and accurate you can be, the more

useful this section, and your business plan overall will be.

Funding Request

If you're asking for funding, this is where you'll outline your funding requirements. Your goal is to clearly explain how much funding you'll need over the next three to five years and what you'll use it for.

Specify whether you want debt or equity, the terms you'd like applied, and the length of time your request will cover. Give a detailed description of how you'll use your funds. Specify if you need funds to buy equipment or materials, pay salaries, or cover specific bills until revenue increases. Always include a description of your future strategic financial plans, like paying off debt or selling your business.

What does this mean for financial advisors? If you're seeking funding, you should tailor this section to include the exact terms of the investment and type of investor you're seeking to integrate into your company. Do not make a general call for investors. Have a vision for who you want to work with, and under what circumstances.

Appendix

Use your appendix to provide any supporting documents or other materials that you feel are relevant, or may have been specifically requested. Common items to include are credit histories, resumes, letters of reference, licenses, legal documents, and other contracts.

What does this mean for financial advisors? Include any licenses, certifications, and industry groups or organizations you are a part of. Include contact info for these references when relevant. Show your level of involvement in your own growth and education, as well as your role in the community.

Conclusion

Having a comprehensive business plan is essential for the success of any firm. It helps define goals, strategies, and resources needed for success. It also provides a roadmap for tracking progress towards achieving these goals.

By understanding your business, creating an effective strategy, conducting

research and analysis, developing a pricing strategy, summarizing your plan in clear and concise objectives, and assessing its feasibility before finalizing it; you can create a comprehensive business plan that sets up your firm for success.

Contact us to learn more about how we can help you achieve your firm's goals.

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