

Virtual Office News Reprint

The *Only* Practice Management/Technology Newsletter
for Financial Advisors

August 2006—Volume IV, Issue 8

Virtual Office News Guest Columnist: Bob Vance, Vance Capital Management



Our Journey to Create a Virtual Firm

In 1998, I left American Express Financial Advisors (come on folks, don't hold it against me... we happily defeated seven of their lawyers when they filed the dreaded lawsuit!) and started Vance Capital Management. Ostensibly, the reasons — though many and varied — came down to independence, freedom and better technology. A paperless and virtual office was essential.

Our first baby step was to improve the handling of phone calls. Like most advisors, whenever someone called, the information was dutifully noted on a pink slip and hand carried to each advisors office. Then we discovered Pink

Notes by Alpha Media. What was a small change has become a very important part of our office.

Pink Notes looks just like the traditional telephone pink notes. Today, when a phone call comes in and the intended recipient is unavailable, an electronic pink note is filled out. It can be sent to just one person or as many as necessary. It also has an acknowledgement button so the sender and recipient can verify that it has been handled. It also works great for interoffice communications. Our support staff uses it to let the recipient know when someone is on hold, thus giving them the opportunity to pick up the phone.

A very useful feature is the ability to send a message later and remind ourselves of an upcoming phone



Bob Vance... *Continued*

call, task or project. We often find this easier than scheduling on our CRM system. In our firm, Pink Notes represent the most urgent things that need to be done.

Three years ago, I joined the Nazrudin Project and began to embrace "life planning." We discovered that we were helping too many clients achieve their goals but not tending to our own! At the time, the three advisors (amigos!) were 53, feeling older and beginning to ask ourselves what we wanted from life. The stock market blood bath had ended and it was time to ask some hard questions. Who were we, what did we want as a firm and how could we achieve it?

Don joined our firm in July 2001 after a long career in banking. During the transition phase, he had emergency four-way bypass surgery. Being the CEO of our local bank had taken its toll and caused him to re-think his future.

Seeing this caused me to take a hard look. My three kids were almost out of college, my wife had gotten her finance degree and for years we owned a condo in Breckenridge, Colorado that we hardly ever visited. Clearly, it was time to start planning for change and be able to work part-time in Colorado.

The first step was to have our portfolio management software, financial planning software and CRM accessible on the Web or residing on an office server. Not wanting to be bogged down by technology, we opted for an ASP and chose Optima Technology's IAS application.

IAS combines CRM, financial planning and portfolio management in one integrated platform. We happily chucked ACT!, Naviplan and Advent. Even though the three that we ditched are arguably better programs, the integration of all three was what we wanted. In hindsight, we made the right decision, especially in light of several factors. First, we were tired of Advent and the expense of maintenance. Second, we found that doing financial planning was a loss leader and decided that asset management was really our forte. Third, we wanted a CRM accessible on the Web.

The next step was to eschew paper. We purchased a Fujitsu scanner and Paperport and began scanning from that day forward. The old files were put on hold until we had clear direction. Ultimately, we bought another Fujitsu scanner and hired a summer intern this year who is scanning all of our file cabinets into Paperport 11.

This month, Don bought a new home on the Central California coast. While IAS has the ability to store any documents in a client's "vault" on its server, we felt that we needed to access office files so we subscribed to GoToMyPC. In addition, by using GoToMyPC, we can communicate instantly with other team members using Pink Notes which we consider far superior to any instant messenger.

Rodger, our third client relationship manager (fortunately he does not want to travel much!) is frequently tied up with billings, performance reports and day-to-day computer technology needs. With Don and me gone, we decided that Rodger needed to start meeting with more of our clients to maintain continuity of service. In our office, all clients are clients of the firm. Since Rodger is a CPA most clients have talked or met with him at one time or another for tax advice, making the transition easy.

VIRTUAL OFFICE NEWS ("VON") ORDER FORM

PLEASE TYPE OR PRINT CLEARLY (*REQUIRED FIELDS)

*Subscriber Name: _____ *Date _____

Company: _____

*Customer Telephone _____ *Email Address: _____



Check one of the following three options:

Option #1: 12 month subscription \$ 199.95
NO REFUNDS will be issued once your credit card has been charged.

Option #2: 12 month auto-renewal subscription \$ 169.95

By selecting this option you are allowing VON to charge your credit card annually for \$169.95/year. You can cancel your auto-renewal at any time; however there are NO REFUNDS once your credit card has been charged for the year.

Option #3: Monthly subscription with auto-renewal \$ 19.95/month

By selecting this option you are allowing VON to charge your credit card on the 1st of each month for the amount of \$19.95. You can cancel your monthly option at any time, however there are NO REFUNDS once your credit card has been charged for the month.

Please include a copy of this order form when you fax us your credit card authorization.

Fax To: 1-877-271-3959

Sunset Financial Management, Inc. is authorized to charge my subscription fee to the following credit card:

Visa _____ MasterCard _____ Discover _____ American Express _____

Card Number: _____

Name as it appears on card (please print clearly): _____

Billing Address: _____

City/State/Zip: _____

Amount to be charged \$ _____ **Exp Date:** _____

Signature: _____

Bob Vance... *Continued*

We have been moving away from Schwab and using TD Ameritrade's AdvisorPort platform. They either allow us to manage the money ourselves or they will manage it. In both cases they collect and pay us fees and do performance reporting. We had tried using SEI, which is very similar, but abandoned them because we think they are really closet indexers. This frees up more of Rodger's time by outsourcing billing and performance reporting.

In the future, we are planning to use **Trust Company of America (TCA)** and FOLIOfn as custodians for many of our clients. Like AdvisorPort, they will do billings and performance reporting. In our eight years with Schwab, we have used their rebalancing software and have somehow created a monster by having several hundred models to manage. **TCA** and FOLIOfn will allow us to simplify our models and be able to rebalance using stocks, funds or ETFs. Schwab only allows mutual funds for rebalancing. The best thing about **TCA** and FOLIOfn is you can set up the models, attach the clients and rebalance in minutes. You only have to manage the models. Every time a model is changed, you can sync all the clients with a push of a button. For the first time, we can literally re-do all portfolios in minutes. This is very important for us because we are moving into absolute returns management and need the ability to make changes instantly. Last year we modified about 90% of our client's portfolios. Using Schwab it took over four months!

We recently bought a Tablet PC. This is a small laptop that allows you to write directly onto the screen and will convert your handwriting to text, if desired. We felt that writing is more casual than

typing and is actually more impressive to clients since it allows us to either swivel the screen toward the client or toward us like a regular laptop or lay down the screen and write just like a tablet. The Tablet PC is wireless and quite small so we can transport it from office to office.

We have found a myriad of uses for it. When clients want to have trades done in their account, we do them right then and there. They love this! If they want to open an account, we either fill out forms online or use LaserApp for form filling. If they have questions, we open a PowerPoint presentation. All notes are saved to the client's electronic file cabinet.

Several months ago, a doctor client told us how the local hospital was starting to use electronic patient charts. A slick idea, we told our-

Client:	John Smith	DOB:	03/13/51	SS#:	440-65-0032	Federal Tax Rate:	AMT	33%	
Client:	Mary Smith	DOB:	04/21/54	SS#:	441-65-0032	State & Tax Rate:	Calif	5%	
Fee:	1.15%	Risk Profile:	20120 Mod Aggr	DL# (H):	N6290054	Cap Loss Carryover:		\$15,345	
Accountant:	H&R Block	Referrer:	Fred Jones	DL# (W):	M5346647	Tax Return on file:	2005	Yes	
Attorney:	Bill Coffill					Trust Name:	The Smith Family 2005 Revocable Trust 2/14/05		
Dependents:	Jimmy	DOB:	02/06/83	SS#:	442-65-0032	Email / Phone:	john@vanceccm.com	533-8404	
Dependents:	Jane	DOB:	10/05/85	SS#:	443-65-0032	Employer (H) / Income:	Self	\$85,000	
Dependents:		DOB:		SS#:		Employer (W) / Income:	TGH Hospital	\$65,000	
Dependents:		DOB:		SS#:		Expenses/Discretionary:	\$ 96,000.00	\$12,000	
Advisor:	Bob					Signatory Power on IRA?		Yes	
Open Action Items To Do / Recommendations						When Due:	Who:	When Done	
Have attorney review trust						Jun-06	Client	06-Jul	
Change benes on the IRAs						Jun-06	VCM	Jul-06	
Send cost basis to their CPA						Feb-07	VCM		
Start education fund for the kids						Mar-06	VCM		
Start conversation on LTC						Jun-06	VCM		
Account Title/Number:									
Schwab: John's IRA		2353-8547	80/20	Invest for longer than Jane		\$4,000	Withdrawal	03/23/06	ML/Chkbk
Schwab: Jane's Roth		2354-8548	70/30	Monthly investing from checking		\$166		Monthly	Yes
Important Planning Dates and Events:									
They want to buy a new car								Date	
Wedding plans are due to be finalized								Aug-06	
Jane wants to retire								Apr-07	
								Jun-10	
Activity Log:									
Date:	Who:	Planning Notes:				Rebalance	Meeting	Call / Email	
01/04/04	Bob	Called for appointment						Call	
02/19/04	Sue	Called about IRA rollover						Call	
03/17/04	Bob	Met and discussed rollover. \$134,854 was invested at Schwab					✓		
09/23/04	Rodger	Emailed them about tax consequences of rollover. No action needed						Email	
02/06/05	Bob	Met for annual review of IRA, gave them performance report				✓	✓		
08/06/05	Bob	Met for semi annual review					✓		
08/06/05	Bob	The brought in \$4000 to add to John's IRA					✓		
03/02/06	Margaret	Called to advise them of the Schwab letter they received						Call	

Bob Vance... *Continued*

selves. Why not apply the same concept for our clients? We created a two page document that is now the foundation for each client.

Rather than just being a running list of documented items in our CRM, we wanted the electronic chart to be a series of relevant events, both past and present. We wanted to record important meetings, email and phone calls as well as action items to-do and future events that could affect a client. We also wanted a place to capture important items like their attorney, CPA and names and dates of trusts.

The second page is a synopsis of all relevant items including the six areas of financial planning and business planning, if necessary. We are able to capture all of the client's insurance carriers, other assets that we don't manage and different types of benefit plans the clients have at work. Most of the electronic chart is drop-down menus with comments added as needed. At the end of the meeting, we print it in color for the client. They are usually very impressed because, for the first time, they have most of their financial information at their fingertips.

Thanks to *Virtual Office News* and its subscribers, we look forward to new dimensions and improvements in our continuing journey!

What:	Type	Owner	Where/Who	Details
Financial Position				
Wells Fargo	Checking	J/T	WF	Current balance \$14,300
CD	CD	J/T	BofA	Value approx \$25,000
Home loan	HELOC	J/T	World	Owes \$31,000
Lexus	Auto Loan	Husband	Other	Owes \$24,000
Insurance				
Term	Life	Husband	First Colony	\$250k term. Due in 2017
Hospital plan	Health	Wife	Blue Cross	\$250 deductible. Portable if she quits. Dental included
Lexus	Auto	Husband	Geico	\$500 deductible, \$300k/\$300k, qualifies for Berkshire discount
Investments				
Yalco	Annuities	Wife	403b hospital	Has about \$76,000 and puts in \$540 per pay period
Tax Planning				
Health Savings	HSA Plan	Husband	Wells Fargo	Set up HSA in 2005. Current balance \$9250
Retirement Planning				
	PERS			
Estate Planning				
Financial Planning				
Business Planning				
Last Update: 06/27/06				

Virtual Office News is produced by...

<p><i>David J. Drucker, MBA, CFP</i> <i>Editor, Virtual Office News</i> <i>President, Sunset Financial Mgt., Inc.</i> <i>Albuquerque, NM</i> <i>dd@daviddrucker.com</i></p>	<p><i>Joel P. Bruckenstein, CFP</i> <i>Publisher, Virtual Office News</i> <i>President, Global Financial Advisors, Inc.</i> <i>Miramar, FL</i> <i>joel.bruckenstein@gmail.com</i></p>
---	---

To order this newsletter, please visit www.virtualofficenews.com where you will find pricing and ordering information.