**Financial Health Profile**

1. Look at the ratios of expenses to revenue. As a general rule of thumb, an insurance only practice should be in that 30% range, an investment insurance practice would be in the 40% range, and then employee benefits would be in the 50% range. In addition, drill down into the financials to look at expenditures on staff and benefits, rent, telecommunications and technology, etc.

**What is your expense ratio? \_\_\_\_\_\_\_\_\_\_**

1. There should be a minimum of 3 months overhead in your liquid business account. The concept here is that a financial advisor is never under any pressure to have to make a sale in order to pay the bills. By having 3 months cash available he/she maintains confidence and can let new sales take their natural course.

**How much cash is sitting in your business account? \_\_\_\_\_\_\_\_\_\_**

1. Gross Revenue should be increasing year over year to maintain a healthy business and stay abreast of increasing costs.

**How much has your Gross Revenue increased each year for the past 3 years?**

\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_

1. The value of the business should be increasing year over year.

Two quantitative measures affect the value of the business:

* + 1. Healthy Profitability
    2. Increasing trail and renewal income (recurring income)

**Do you know the value of your business based on the above measures?**

**Yes or No (Circle One)**

1. A budget should be created annually.

**Do you create an annual budget? Yes or No (Circle One)**

1. Profit and Loss statements should be produced and reviewed monthly.

**Do you review your P & L monthly and compare to your budget?**

**Yes or No (Circle One)**

1. New Client Acquisition is paramount to a healthy business.

**Are you adding the right number and the right type of clients to your business?**

**Yes or No (Circle One)**

**Are you tracking who your new clients are, the source and who referred them (if applicable)?**

**Yes or No (Circle One)**

**Do these new clients fit your Ideal Client Profile?**

**Yes or No (Circle One)**

1. Your sources of revenue should be tracked, e.g. new client revenue, cross-selling to existing clients and recurring revenue (renewals, trails and annual fees).

**Do you have a balance between adding new clients and capturing opportunities in your existing book of clientele? Yes or No (Circle One)**

**Are your recurring revenues increasing?**

**Yes or No (Circle One)**

**Are you tracking your lines of business?**

**Yes or No (Circle One)**

1. Retention of Clients and Assets are critical.

**Do you measure how many clients leave?**

**Yes or No (Circle One)**

**What is your retention rate? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**What has your AUM been Year over Year for the Past 3 Years?**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. A well thought out marketing plan should be developed and revisited regularly.

**Do you have an effective marketing plan that focuses on the three key elements: adding new clients, captures opportunities with existing clients and ensures strong retention?**

**Yes or No (Circle One)**

**Is there an appropriate amount in the budget allocated towards marketing?**

**Yes or No (Circle One)**

1. In order to retain the best talent you need to reward your staff properly from a perspective of compensation, benefits, flexibility and time off.

**Does your compensation package reward your staff well?**

**Yes or No (Circle One)**

**Do you know how your compensation packages compare to industry benchmarks?**

**Yes or No (Circle One)**

**Definitions**

* **Revenue** – the gross revenue paid to you from your suppliers
* **Operating Expenses** – includes all expenses but does not include your income as an advisor and income that you might be splitting with your spouse who is a non-working employee
* **Net Ordinary Income** – this is the difference between your gross revenue and your operating expenses
* **Expense Ratio** – operating expenses divided by your revenue
* **Support Staff** – this includes both salaries, benefits, payroll costs such as CPP and any bonuses
* **Payroll Ratio** – cost of your support staff divided by revenue
* **Assets** – this includes all of your assets – stocks, bonds, mutual funds, GICs seg funds etc.
* **Households** – includes all members of one family i.e. both spouses
* **Average Assets** – assets divided by number of households

|  |  |  |  |
| --- | --- | --- | --- |
| **Measurement** | **2020** | **2019** | **2018** |
| Revenue |  |  |  |
| Operating Expenses |  |  |  |
| Net Income |  |  |  |
| Expense Ratio |  |  |  |
| Staff Payroll |  |  |  |
| Payroll Ratio |  |  |  |
| Assets |  |  |  |
| Households |  |  |  |
|  |  |  |  |