



BUILDING FEE-BASED BUSINESS

“We are in the solutions business. If a client has a situation, I’m going to try to resolve it,” says Greenwood Village, Colo., FC Karen Ogard.

This philosophy has paid off for Karen, who has found that a combination of fee-based advisory programs, such as Pathways, Select Advisor and PFA, offers her clients the best solutions.

“Clients tend to get dissatisfied with only one thing in their portfolio. Often they’ll scrutinize their portfolios so closely that they believe they have to take action. They’ll point out, ‘That’s not doing well now, let’s move that,’ which can result in hasty, destructive decisions,” Karen says. She has found that using the programs in combination with one another helps keep clients less apt to damage their whole portfolio and more satisfied in general.

“I had a high net worth client who said he wanted simplification and to diversify the risk from his concentrated equity portfolio. So I presented Pathways and an alternative with diversified long-term strategies. He said Pathways sounded a heck of a lot simpler, so we went with that,” says Karen. “We put \$2.5 million in that strategy.”

Karen took it one step further: “Then I said I wanted to introduce the CAAP program, when he had some more money to allocate, to complement his long-term strategy to take advantage of our cyclical economic outlook.” He brought her \$500,000. “When he ends up selling more of his businesses, I will then build a portfolio around that combined core strategy,” Karen explains.

But Karen wasn’t certain how successful a combination of fee-based programs would be at first. “I started with my C clients because I really didn’t want to blow up my A clients and then have to completely start over,” she reasons. Because of her success, it is now the only thing she recommends to new clients.

Of course Karen still sometimes faces a reluctant client. And almost all of their hesitation comes from questions about clearly identifiable fees. “Ignorance is bliss for clients,” she states. “When they don’t see that they are paying the fees, they are happy.” Because fees in fee-based advisory programs are relatively transparent, it can be enough to deter clients from participating in the programs altogether.

Fortunately, Karen is prepared for such apprehension. “I actually have a list of here’s-what-you-get-by-paying-me-a-fee,” she says. Karen’s list, which she titled ‘The Cost-Effectiveness of Fees,’ includes:

- **Cost vs. value.** “If life were about cost and not value, people would be driving around in Kias instead of BMWs or Mercedes,” Karen says. She discusses the value she provides for her clients, including her unsurpassed commitment of time, passion and education.
- **A multifaceted advisor.** Karen explains her role as an advisor and as a source of information and solid support. “I am usually the voice of reason when you’re panicking; I explain whether something is as serious as you think it is,” she’ll tell clients.
- **No conflict of interest.** “When fees are transparent, conflicts of interest are eliminated, and we are free to pursue investment choices in your best interest,” she’ll explain. This frees the client from the burden of worrying about transaction costs or hidden fees.
- **Extensive resources.** “There’s a whole research team in St. Louis backing you up,” Karen will point out. “I have access to some of the most noteworthy, nationally recognized minds in the business.”

If a client is still wary, Karen spends more time talking about the fees themselves in all investments to get a better understanding and comparison. Fee-based advisory programs remove the transaction fees, she says, putting to rest the common investor complaint that FCs profit regardless of a stock’s performance. She’s found that this helps clients recognize that she’s “on their side of the table.”

For clients who are unable to see past the fees, Karen chooses C share funds, to make them more comfortable. As she knows, it is essential that clients feel at ease with their FC.

“It’s all in the relationships,” Karen says. “That’s what really makes a difference.”