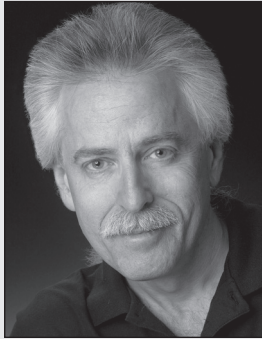**2005**

Virtual Office Tools for a High-Margin Practice

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Why do insurance consultants, financial advisors and other professionals need to stay abreast of new technology, keep an eye on practice management developments, and consider using virtual office tools and techniques? Perhaps Craig Barrett, the CEO of Intel, answers this question when he says "Never be content with the rules of the game as they are today. It is better if you change the game rather than having someone else change it for you." The financial services industry has never been as competitive as it is today; professionals need to do everything within their power to stay on top. It's up to them whether they decide to make the rules, or follow the rules their competitors make.

How can virtual office tools and techniques help professionals make their own rules and, correspondingly, what is a virtual office? There exists a formal definition, but it might be more illustrative to first provide examples of virtual office processes. We will use a financial advisory firm as the example, since this is the author's work environment. Most of these examples carry over to the world of the insurance professional, as well.

Consider, for example, the everyday occurrence of responding to client questions which shows how virtual processes can create great efficiency. In many cases, the questions posed by clients require the advisor to refer to documents in the client's file in order to formulate an answer. Most advisors keep client files in paper form, and files are to be found either in file cabinets or on the desks of staff persons working with them. In fact, when advisors need to refer to client files to obtain a document containing the answer to a client question, they don't know where those files will be and, therefore, will usually need to make a follow-up call to the client with the answer.

A virtual office is, among other things, a paperless office. When a single document among the thousands every firm maintains is needed, it can be found instantly through the indexing and search capabilities of a capable document management system. Quick retrieval allows the advisor to remain on the call with his client and answer

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the client's questions immediately. Hence, no follow-up calls or the phone tag that usually accompanies them is necessary. This is one source of greater efficiency.

Another example is the opening of a new client account. In a virtual firm, the adviser emails a request to his Virtual Assistant or Virtual Account Administrator to open the new account. The Virtual Work Partner (VWP) completes the form for the client, either online if the form is made available there by the custodian, or using form-filling software that coordinates with the advisor's Client Relationship Management (CRM) software in such a way that form fields are completed automatically. The VWP emails the form to the client who prints it out, signs it, and returns it by U.S. Mail to the VWP. She or he then emails to the advisor for his archive a copy of the signed document in the form of an Adobe Acrobat PDF (Portable Document Format) file, while mailing the original to the custodian.

Finally, consider the process of bill-paying. The virtual professional scans and emails copies of his payables to his virtual bookkeeper who pays the bills using the online banking system of the professional's banking institution, and then enters the transactions into the professional's accounting software. She or he finally emails to the professional the updated accounting file which he imports to his master copy of the accounting software so he has current information at his fingertips.

The formal definition of the Virtual Financial Services Firm, then, is a firm that relies heavily on virtual processes; i.e., paperless office systems, outsourcing, mobile technology, and Application Service Providers (ASPs), giving it a profit margin (before owner's compensation and benefits) of 60 percent or higher. This definition does not differ significantly for other types of professional service firms. How does this differ from a more traditional firm? The traditional firm grows by acquiring more people and more paper. Its profit margin, including all compensation and personal benefits to owners, tends to be around 40 to 50 percent according to studies done over the last few years by the Seattle CPA firm of Moss Adams LP for the Financial Planning Association.

Virtual firms, by comparison to traditional firms, grow by using technology wisely and adding VWPs as needed rather than employees. The virtual firm's profit margins are typically 60 percent and up. This level of profitability has been experienced by the author and most of the virtual offices he has studied over the last three years.

What is the professional's motivation to pursue virtual office tools and techniques besides greater profitability? The bottom line isn't profits, per se, but the greater options profits give the professional for creating the lifestyle he wants. Most professionals enjoy their work but don't necessarily want to devote their lives to it to the exclusion of family, friends, community and other pursuits.

To embark on the transition to the virtual office, one must be aware of the technologies that facilitate this business model. As outlined in our definition, they are paperless office systems, outsourcing of administrative or professional tasks, and using ASPs. Let's take a detailed look at each of these components.

The Paperless Office

Implementing a paperless office requires a selection of scanners, scanning software and indexing/filing systems. Before describing one's options in these areas, we must answer the question: "Why be paperless?"

The initial reaction to this question is the realization that going paperless means eliminating file cabinets and saving on rental costs associated with the storage of paper. These obviously represent cost savings but aren't, in and of themselves, the primary reason to effect a paperless office. That reason is to put information at one's fingertips.

As described in our first example above, your ability to find the documents necessary to respond to client questions and requests during a client's phone call means avoiding the need to return the client's call and risk not finding him at his phone. It also means better client service and, hence, greater client satisfaction and retention.

What, then, should one look for in the tools required to "go paperless?" Scanners are the first item. These devices can be purchased at a local computer store for $300 or less, but the quality of scanner implied by this low

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price is not recommended. The small office needs, at a minimum, a scanner that will move paper rapidly through a straight paper path (minimizing paper jams), scan both sides of a document in one pass, allow for automatic document feeding of 25 or more pages at a time, and scan both color and black and white images at high resolution. An example of such a scanner is the Fujitsu fi-4120c, available for $600-$700 as of this writing.

A larger office may need a similar scanner, but with greater capabilities in each of these areas (i.e., faster, higher resolution, etc.), such as a Fujitsu fi-4530c. Each advisor running a larger office must decide whether to employ one, centralized, high-capacity scanner, or many simpler scanners -- one per employee. One's choice will be a function of personal preference, office-wide computer literacy and work style.

Scanning software is simply software that will read and store the image of a document fed into the scanner. Examples of such software are PaperPort (www.scansoft. com) on the low end, or DocuXplorer (www.docuxplorer. com) on the high end.

One can set up hierarchical folder structures or relational databases, depending on the sophistication of the software, within which to organize and file scanned documents. The filing system actually created is whatever works for a particular firm. More important is that a set of rules be established so that employees (if more than one has responsibility for scanning) file scanned documents in a uniform manner within the chosen file structure.

Indexing refers to a software's ability to automatically convert scanned images to text such that an index is created "behind the scenes" with which to electronically search for needed documents based upon words within an image. This is a highly desirable characteristic to look for in a scanning software package.

Outsourcing to VWPs

Many professionals feel they must hire the in-house talent they need. Although they routinely outsource to other professionals tasks such as accounting, tax preparation or pension plan administration, they don't consider outsourcing an option for their own in-house administrative, and even technical, functions.

The concept of outsourcing is one we learn in Business Administration 101 when we are taught that we shouldn't try to produce a good that someone else can provide in a better and/or less expensive form. Auto manufacturers routinely do this by importing from Japan or buying from domestic manufacturers specialized parts to be used in the production of their motor vehicles.

In the financial advisor community, a task often improved upon by outsourcing is that of investment portfolio reporting to clients. Most independent advisors employ portfolio accounting software to produce quarterly position reports and year-end tax reports for their own management purposes and those of their clients. The maintenance of the accounting system with daily data updates and the production of these reports often require a full-time staff position. Unless these "portfolio accountants" are trained and supervised carefully, an advisor's accounting system can evolve with a variety of gaps and inaccuracies introduced by each employee sequentially responsible for running and maintaining the system.

How does the advisor maintain ongoing consistency and accuracy of accounting data and report information, while also minimizing his costs? By outsourcing. Any number of "service bureaus" can run systems for the advisor. These entities train their staffs to be expert in the operation of the accounting software, and they stand ready to replace their own departing staff with equally well-trained replacements when necessary. Furthermore, a service bureau can usually perform the advisor's accounting function at 50 percent or less of the cost to the advisor of maintaining an employee relationship for this purpose.

Yet, advisors often hire employees, necessary or otherwise, without full cognizance of their true costs. In the August 2004 issue of *Investment Advisor* magazine, Mark Tibergien, a CPA with Moss Adams, constructed a hypothetical example to show that a new employee's compensation and benefits are not the only costs to the advisor. In fact, when other variables are considered such as the desire to maintain a stable profit margin and the need to provide

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incentives to other employees who now must serve more clients to produce the additional revenue needed to pay for the new employee, the true cost of the new employee is almost three times just his/her compensation.

This should make small business professionals stop and think carefully about hiring, or at least consider the outsourcing alternative.

What can be outsourced in a financial advisory firm? Practically anything. My own practice is an extreme example, but one that makes the point. After working in a small but traditional firm structure (two principals plus four staff) for almost 15 years, I desired to work as a sole practitioner. I realized that by outsourcing employee functions, I could structure employee benefits within a C corporation so as to favor my family without fear of running afoul of the non-discrimination provisions of the Internal Revenue Code.

Hence, I found substitutes for the various staff persons I'd employed in the firm with which I'd formerly been associated. I hired a local IT person to maintain my wireless network. Back Office Support Services of Vista, CA maintained the master copy of my portfolio accounting software and kept it current on a daily basis for investment management and reporting purposes. An administrative assistant, or "Virtual Assistant" called Total Office Inc. based in Akron, OH became my right-hand associate for all clerical and many marketing functions.

Advisorsites, a Westbury, NY firm, became my website developer and host. Two former employees served as my "Virtual CFP" and my virtual account administrator, the latter being a liaison position between my clients and their investment account custodian. Finally, YieldQuest Investment Group of Atlanta, GA kept my clients' investment assets invested and balanced at all times according to the investment policy statement I'd developed for each client.

Aside from the VWP's expertise and the favorable economics, why should professionals consider these arrangements? The modern business coach will tell you that your small firm will function best when everyone does the work for he has a unique ability and about which he is passionate. Hence, by outsourcing tasks that no one in your employ either can do expertly or *cares* to do, you and your staff are left with the best work -- the work that will feed your passion and help you get out of bed in the morning.

In summary, outsourcing can be beneficial because:

- You get expert assistance for a given task;
- You achieve increased efficiency because you only pay for the resources you use;
- You and your staff retain only those tasks that fall within your core competencies and give you personal satisfaction.

The notion of outsourcing can be off-putting for those who have only been assisted by staff housed within the walls of their immediate office. But the keys to outsourcing success are nothing unusual and, in fact, the same for successfully hiring employees. Obviously, your VWP must have the competencies you require for a given job. He will either be an independent contractor to you, or an independent business owner. Either way, he'll be working for other professionals and should be able to provide you with references, just as an employee would. However, in most cases, the references will be more plentiful.

Second, success will come from knowing what you need from your VWP and communicating it clearly… again, not too different from your interactions with an employee. The extra ingredient in this process with a VWP comes from the fact that this person usually is an expert, so there can be a tendency on the part of those who've never before worked with a VWP to assume he or she will automatically know what needs to be done. Yet, most work is customized for the client, so a clear understanding of the client's requirements is needed beforehand.

VWPs who must have access to confidential information should sign a Confidentiality Agreement, just as an employee would. In addition, if a VWP is working directly with your clients, as a Virtual CFP might, then you should also implement a Subadvisory Agreement to clarify to whom the clients belong, as well as who will accept any liability incurred in dealing with the clients.

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Depending upon your profession, you may need to disclose your use of VWPs on various regulatory filings (for independent financial advisors, this would be the Form ADV maintained for the Securities and Exchange Commission). You also may want to inform your clients of these relationships. Some advisors may hesitate to do so thinking clients will feel uneasy with your entrusting critical functions and information to an "outsider," but you'll probably find most clients trust your judgment on these matters, just as they do on the matters for which they hired you. Clients also appreciate your using new procedures to keep your costs down since those may translate into more moderate fee increases, as well.

The last key to outsourcing success is setting up the necessary workflow systems. A well organized team of internal staff members probably controls workflow with software systems operated and shared across a local area network (LAN). Since VWPs work remotely, a LAN by itself won't do the job. You will need either a) a Virtual Private Network, b) a system by which a VWP might gain very limited access to a computer on your LAN, such as GoToMyPC, or c) a website at which you share work products via file upload/download capabilities.

Mobile Technology

The concept of "upward mobility" is taking on a new meaning, suggests a report by TowerGroup. In the September 2004 "Mobilizing the Financial Services Enterprise: Business Mobility Gets Unwired," TowerGroup's Senior Analyst, Ed Kountz, documents the factors compelling a growing number of financial services firms to "go mobile."

Kountz notes four trends emerging in the financial services industry:

- With the improvement in and falling costs of mobile devices, networks and applications, the industry is renewing its attention to enterprise mobility projects;

- Always-on email remains the cornerstone of enterprise mobility, but new applications are being tailored to a variety of industry "vertical markets;"

- The industry is starting to pay attention to and invest in the mobility possibilities for applications such as "executive alerts," mortgage information and institutional mutual fund sales;

- When considering how to deploy mobile applications, the industry must choose the right set of partners, technologies and users if it wants a rapid and strong return on investment.

The TowerGroup report refers to Enterprise mobility, but has implications for all sizes of financial services firms. At all levels of the industry, mobility applications are being adopted to improve client service and advisor efficiency -- although motivations may be different. The goal of many larger enterprises, suggests the report, is to deploy data traditionally centralized in enterprise databases into the hands of highly mobile employees allowing them to customize solutions for clients who might otherwise receive homogenized enterprise solutions.

Smaller firms taking a bottom-up approach to mobile technology may have a different goal in mind. "If the value of an independent RIA relationship is in its high-touch model, the independent RIA is clearly not going to want to replace that service model with something electronic," says Kountz. "The need for remote contact with the client will be less if you're a small business proprietor," he adds. All in all, the smaller firms tend not to be early adopters of mobile technology since they have less of a need and less of a budget for it.

Yet, Kountz agrees that a trend among some small firms may put a new face on that need. Two trends not addressed in the report make that true: the need of smaller firms to retain key employees who leave its geographic base, and the changing lifestyle desires of small firm owners. "We've seen the RIA space, in part, filled by people with backgrounds in other parts of the industry who are looking for more flexibility... more time for other interests. Mobility can enable that," says Kountz.

"I would stress that five years ago [these professionals] might have had a cell phone and a desktop PC; now there are a huge number of variances in that spectrum. They

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might be using cell phones for text messaging, PDAs with applications synced into their email accounts, or wireless laptops," says Kountz. "The range of what you can do is increasing significantly. My perspective is that in a hyper-competitive industry [such as financial services], anything you do of this nature is a good thing, especially as prices come down." Therefore, key employees moving away from the RIA firm when spouses get relocated, or small firm owners wanting to work part of the year in more remote and relaxing locations, are both aided by mobile technology.

The success of the RIM Blackberry is the foundation for the deployment of many newer enterprise applications, says the report. The Blackberry, a wireless PDA device developed by Research in Motion, a Canadian company, in the mid-1990s, is the prototype for most handheld, wireless, always-on email tools used today. Other wire-less systems replicate these features and accumulate new features, such as the Handspring Treo 600 "smartphone" (a phone-PDA combination) that works on the cellular networks of more than one carrier and, with third-party software, can not only maintain constant contact with the user's POP3 email account, but download and display email attachments and perform other tricks. In fact, the report notes that the ability of handhelds, which includes smartphones, to access and open Microsoft attachments -- as the Treo 600 will do when coupled with third-party software like Documents to Go -- is becoming essential for the full mobile enterprise experience.

These devices, says the report, are one reason for the development of wireless networks enabling remote workers to provide improved client support. Kountz notes the proliferation of broadband and wireless network services coupled with the development of Centrino and other advanced chipsets for laptops. TowerGroup's report charts the expected rise in mobile technology use, finding that mobile data device use by financial services firms presently stands at approximately 10 percent, a number that TowerGroup expects to rise to 35 percent by 2009. This will be made true by the variety of applications, other than email, being designed for mobile deployment, such as the mobile investment banker's need for market data streams and deal updates; the mutual fund wholesaler's need for client account records and performance information; or the need of any financial services industry participant to remotely manage personal information such as calendar and date book changes or client profiles.

Suffice it to say... mobile devices and applications are the latest thrust in virtual office technology enhancing the professional's remote work experience. Large enterprises and small firms alike will use this technology to compete for client access and loyalty through enhanced communication possibilities, and to take advantage of emerging opportunities to work outside of the traditional office -- either in home offices or second commercial offices.

Application Service Providers

Application Service Providers, or "ASPs," are the third piece of the virtual office puzzle. An ASP is simply an online solution which was once provided with desktop software. In 1995, if you used a product like Intuit's Turbo Tax to do your personal tax return, you installed it on your home computer, used it to calculate the numbers in your tax return, and printed out the return for mailing to the IRS. Now, you have the option of entering all of your data online at a password-protected area of the Intuit site, and "eFiling" your completed return directly to the IRS without the need to print it on paper first.

The benefits of ASPs, when one thinks about them, are tremendous, and they explain why so many business functions are moving to the Web. First, it's much easier to collaborate on a project, report, legal agreement, etc. when all parties to the product have equal access to its latest version online.

Second, software companies are continuously improving their products, but when the products are disseminated as shrink-wrapped CD-ROMs, it may only be economical to distribute them several times a year. With an ASP, distribution is happening constantly. That is, bug fixes and upgrades are applied to the online software as they become available. The software you use in the form of an ASP is always up-to-date, and files you create with that software always reflect its latest status.

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Third, for most small business persons, the security of their data on the ASP's website will be significantly greater than on their own server. Professional software companies, particularly those offering ASP systems, must be expert at data backup and security. It is my experience that most professionals, unless their operations are large enough to include dedicated IT staff, probably aren't taking security measures nearly equivalent to those employed by the ASPs they "rent" their software from.

Last, there is a convenience and cost savings from dealing less with paper -- a practice furthered by the use of ASPs as noted in the above tax return example.

Financial planning software is just one of many examples of technical functions available on the Web. ASP versions of popular planning programs can now be operated virtually. NaviPlan, the product of Emerging Information Systems Inc. of Canada, with more installations than any other financial planning software, will soon be available to independent RIAs in an ASP model. MoneyGuidePro, a three-year old planning product from P.I.E. Technologies began and has existed only as an ASP software model. Morningstar's Workstation product, while not a full-featured planning system, is an excellent Web-based portfolio design and reporting product.

For advisors who send out independent reports on clients on assets under management, Web-based systems like Investigo and StatementOne (now Albridge) enable the advisor to eliminate the in-between process of maintaining desktop portfolio accounting software, downloading from custodians asset balances and price information, constructing position and performance reports, and disseminating them to clients. Data for reporting flows directly from the custodian into the ASP system and reporting is automatic and continuous. The advisor and his client merely need to go online for current report information.

But ASPs aren't just for technical functions; anything you once did by paper or desktop application that is now available to you on the Web qualifies as an ASP system. So, for example, keeping up with technical reading online is possible as many excellent advertiser-supported trade publications which appear in the mail are similarly posted at the publisher's website, like *Research* magazine (www. researchmag.com), to name just one.

Trading in client accounts has long been possible using custodians' highly-secure websites, like that of Charles Schwab & Company (www.schwabinstitutional. com). And banking, credit line management and payroll can all be handled at the website of most local banks, e.g., Wells Fargo.

In short, ASP systems will enable all professionals to collaborate more effectively with advisors in allied professions. For example, the insurance professional developing work products online will more easily collaborate with the estate planner, the estate planner with the financial advisor, and the financial advisor with the tax professional — all to provide better value to their mutual clients.

Client Communications

Before we talk about client communications, we must first distinguish between "transaction" clients and "retainer" clients. By transaction clients, we mean those clients who transact business with us, i.e., obtain insurance coverage or a one-time financial plan, and then leave with no promise of repeat business. A retainer client is a client literally being charged a retainer or other fee appropriate to a set of ongoing advisory services. Some of the comments that follow will apply more to retainer than transaction clients, and the readers practice may have more of one type than the other.

The most highly-advertised benefits of the virtual office are its ability to lower costs and raise profitability. Yet, no fundamental operating change can be effective unless clients benefit too or, at least, experience no degradation of service, fee increase, or both. So what are the benefits to clients of virtual office tools and techniques?

The benefit they will likely notice first is improved communications. If all successful client engagements base themselves on deep and meaningful relationships, then communication is the one ingredient most essential to such. How, then, will the virtual office change client communications?

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First, there is the use of email, the "workhorse" of the virtual office. Although it may cause compliance headaches for larger organizations, email brings many benefits for advisors and clients. Assuming your business is based on long-term client relationships rather than one-off transactions, email creates a written record which -- if your dealings with clients are above-board -- helps you document client interactions for compliance and other purposes. It enables you to communicate in something other than real time; this is beneficial because one person's "real time" is another person's "not a good time." That is, phone communication leads to phone tag, a phenomenon unknown to emailers since one checks email at his convenience.

Email is highly efficient. This derives partially from the ability to securely attach files to emails, such as PDF which can be used to capture all manner of printed images: letters done on your stationary, spreadsheet segments, articles you want to share with you client, and so on.

And email strengthens client relationships. This may seem counterintuitive, but clients will tell you that they sometimes hesitate to call you ("you're often so busy and my problems are so minor") yet they don't feel like they're imposing when they send an email. They know you'll respond to it when the time is good for *you*. That tendency leads to greater communications and, possibly, more business.

For these reasons, professionals should look at their client bases and ask the questions "who has email and who doesn't" and, of those who don't have it, "who's likely to get it if I can apply a little well-meant coercion (which sometimes means helping them buy a computer and install it along with email software)? Email can be a good investment for both the professional *and* his retainer clients.

Client communication also depends upon CRM software. For some, this software will still be known as simply "contact management" software because they use it like an electronic rolodex. However, good CRM software can be used as the central driver for an entire business due to the ability of some packages to serve as a central archive for all of an professional's interactions with his client, whether evidenced by written communications, emails, handwritten notes, or scanned images of important documents. It can also manage the workflow of an entire office.

For many professional services industries, there will be both generic and industry-specific CRM software available to professionals. In the financial planning industry, one can start with a generic program like Outlook or Act! and tailor it to the specific needs of his business by programming additional functions onto it, or by using "add-on" software to enhance the basic program's capabilities. For example, financial advisors might use Act! for Advisors on top of generic Act! software. Or, they might buy an industry-specific product like Junxure-I to capture the functions most appropriate to their advisory businesses.

Protecting Your Data

At the heart of the virtual office, and one of the most often-voiced objections to this business model, is the relatively high need for security. Let's face it… when your most important assets -- confidential client data -- are traveling through cyberspace, you need to protect them both for yourself and your client. Hence, competent backup, anti-virus, firewall, password and spyware protection are a must.

All of these are important, but proper backups are perhaps most essential. Most small business operators don't take backups seriously enough. If you're backing up critical computer data once or twice a week to magnetic tape media and then leaving the backup in your office, you're one of these business folks. (These are actually three separate problems, any one of which could disable your operation).

There are at least three types of backups that are essential for most professionals to employ. These are file recovery backups, disaster recovery backups and archival backups. File recovery backups take place on reliable media, such as laser disks or external hard drives, they remain in your office where they are immediately accessible, and their goal is to create multiple iterations of critical files so that you can search backwards in time through several versions to find the one most representative of the

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state of your work at the time you lost or inadvertently destroyed the most current version of the file on your server's hard drive.

Disaster recovery systems are of a greater scope. These are the backups that protect you if your office burns down and everything in it (including your file recovery backup system's hardware and software) goes down in flames. Obviously, backup tapes are going to melt in the heat -- even if they're in a fireproof safe -- and it should be obvious the most desirable form of backup in this situation will be one that is offsite. It could be on media you transport out of the office with you every night, like a DVD or high-capacity minidrive, or it could be a backup to a third-party website constructed specifically as an offsite backup solution.

Archival backups are ones you put away and may never look at again. They serve the purpose of keeping older data for compliance purposes or in the event a departing client returns in the future to re-engage your services. Together, these three forms of backup constitute an airtight backup protection system. If they seem like too much trouble to you, just think about the cost of recreating data lost from any of the three scenarios described above.

Miscellaneous Virtual Office Technology

In addition to the three main components of virtual office systems -- paperless office systems, outsourcing and ASPs -- there are some miscellaneous utilities that nicely complement these components. For example, the Securities and Exchange Commission has recently clarified its position that email is to be treated the same as any other client correspondence in the advisor's ability to reproduce it in the event of an audit. Hence, systems like Nelson Email Organizer or Lookout -- add-ons to Microsoft Outlook which is widely used as email software -- can greatly enhance the advisor's ability to reproduce specific client email correspondence.

Sticking with email, numerous utilities now help us control the flow of "spam" (junk email) into our inboxes. Permission systems like ChoiceMail or Mailblocks can separate computerized spamming operations from human correspondents.

Virtual telephone switchboard systems are another powerful, new form of virtual office technology. These "follow-me" systems will roll an incoming call over to numerous phone lines in an attempt to locate a professional who may be in his commercial office, his home office, his car, an out-of-town hotel room, or an airport.

The fax machine, as a physical piece of office equipment, is (or should be) a thing of the past. With scanners now being widely used as "front ends" for copying (scan and print) or faxing (scan and send) operations, online fax services like eFax or MaxEmail are simpler and cheaper than the old way of faxing.

Case Studies

If all of this still seems a bit abstract, let's consider a few case studies for the financial advisor industry to make it more real. First we will look at a sole practitioner, and then a multi-advisor officer.

Sole Practitioner Virtual Office

Malcolm Greenhill, an asset manager and sometimes-financial planner, runs his firm, Sterling Futures, in San Mateo, CA. As a sole practitioner, his virtual office emphasis is on outsourcing since he has no in-house staff support. Therefore, Greenhill outsources the little bit of financial planning he does to Pat Jennerjohn, an Oakland, CA-based certified financial planner with her own client base who works for other advisors like Greenhill on the side.

Greenhill outsources administrative work to a virtual assistant -- Total Office, Inc. of Akron, OH. In order to share work products with Jennerjohn and Total Office, he maintains a site with www.intranets.com, an ASP that rents Web space professionals can invite other professionals to for the purpose of uploading and downloading large files, maintaining a common calendar, or managing workflow assigned by the professional to his virtual assistant.

Greenhill corresponds with his clients primarily via email and, because he may need to discuss account numbers or balances in his line of work, he encrypts his client emails with ZixMail.

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When away from his office on business, Greenhill accesses the information on his office server using GoToMyPC, an ASP allowing him to manipulate the mouse on his office monitor and literally operate the office server from afar.

All of these utilities, when used in conjunction with the three primary virtual office components, vastly broaden the virtual office experience and add to the advisor's potential efficiency gains.

The Multi-Planner Firm

Some critics of the virtual office say it's a business model *solely* for solo practitioners. Nothing could be further from the truth. Businesses of any size can use some or all of the virtual office components to enhance productivity and career satisfaction.

An inspiring example is the small advisory firm of Cornerstone Wealth Advisors, Inc. run by Jonathan Guyton of Edina, MN. Whereas Greenhill's firm would be one of three employees if a "real" planner and admin assistant worked in his office, Guyton's firm would include five employees. However, like Greenhill, Guyton outsources two important functions: accounting and portfolio reporting.

Guyton enjoys employing professional staff -- other CFPs -- and fostering their growth and excellence as a function of what he does. He also wants his clients to have the best possible service. Hence, he and his staff take client calls, answer questions and render advice to clients without benefit of administrative help. In fact, Guyton's strategy is to employ in-house all professional positions and to outsource all administrative functions.

By doing this, his economics are superior to most five-employee firms providing the same financial planning and investment management services Cornerstone provides. He realizes approximately $272,000 of revenue per employee or just over $800,000 of gross revenue; total staff-related costs (not just compensation but benefits, office space, equipment rental, etc.) comprise about 22

percent or $180,000 of gross; and Guyton takes home as salary, benefits or profit 64 percent of gross, or $522,000 a year. The remaining $114,000 is for miscellaneous overhead items, including outsourcing.

How does this compare to traditional, or non-virtual, firms? We said earlier that financial advisory industry studies reveal typical profit margins to be 40 to 50 percent. On Guyton's revenue base, he's putting in his pocket an additional $114,000 to $196,000 of net income.

Conclusion

Any professional firm can enhance its bottom line and the job satisfaction of its employees by adopting virtual office tools and techniques. What it must do is convert physical to digital records (i.e., create the paperless office); convert employees to VWPs; create systems to accommodate offsite VWPs (i.e., secure means of sharing work products via the Internet); and integrate systems for digital retrieval of information (i.e., get software and ASP systems to "talk" to each other to eliminate duplicative systems and enhance data retrieval speed.

The other step the would-be virtual professional must take is to cultivate a "Virtual Mentality." Look for ways to employ virtual tools and techniques. If an administrative (or even professional) employ quits, weight the real costs of replacing him or her with the true costs and benefits of using a VWP instead. If you find yourself printing out client emails and filing them in a 12 inch thick accordion folder, think about alternatives to maintaining all of that hard-to-retrieve paper.

Converting to virtual office tools and techniques is not an all-or-nothing process. Professionals can convert to virtual office technology in stages, as suits their budget and the time available to make these changes. One should think about the various components of the virtual office, select those that apply most to their particular operations, and begin to employ virtual techniques where they will most enhance one's efficiency, leaving more marginal applications for a later time.