

Top Adviser Q&A: E. Jeffrey Roof

E. Jeffrey Roof is president and founder of Roof Advisory Group Inc. in Harrisburg, Pa.

By Paul Menchaca

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E. Jeffrey Roof is president and founder of Roof Advisory Group Inc. in Harrisburg, Pa. He launched the firm in 1998.

The InvestmentNews/Moss Adams Financial Performance Study of Advisory Firms found that many firms have struggled to add clients over the past couple of years, although they've been able to boost revenue. How much emphasis do you place on adding new clients each year?

Adding clients is always an initiative. We place a strong emphasis on overall firm growth in revenue, and adding clientele is a key component. In the study, we had a 15% growth in new clients, versus a top-performers median of 8.8%; it's not quite twice as much, but it's close. So we have not struggled. We've maintained a high standard in adding new clientele through the strategy and tactics we employ. But the other part that's important is the attrition rate for clients, and we have had zero in that same time frame. Our view is that there has been no value in adding clientele if you are losing clients. We believe that if we maintain growth, it serves our existing clients' needs because we are able to add resources on an ongoing basis.

Your firm has an internal process for handling referrals. How does that process work, and what led you to develop it?

Since the very beginning of the firm, we made a concerted effort to develop a referral network. We've had the good fortune and great deal of success, particularly with the attorney niche. We tell them that we have a better approach than major banks and brokerage firms by being [a registered investment adviser]. So we go through the attorneys we have connections with, and tell them what we do and why what we do is better for their clients. In fact, many of our referral sources have also become our clients because they have been impressed with our service because of the results that our

investment process has delivered. Getting an introduction from satisfied clients is a key contributor to adding new clientele. Whenever we have a client meeting or good news, we use that as an opportunity to reach out to our client base and remind them not to hesitate sharing this with other professionals and friends.

We have a professional network that has been very productive for us. But you need to make sure that what you are offering to the professional marketplaces is indeed unique and adds value, because they are bombarded on a daily basis from people who say they have a better mousetrap.

It seems that almost every firm has to grapple with what to do with the less profitable clients. How do you strike a balance between servicing these clients, while also making sure that your biggest clients get the service they deserve?

We have a very high professional-to-client ratio, compared to our peer firms. We do this by design because it allows us to provide better service by having greater capacity to do so. We do this by not trying to be all things to all people. We have a focused client base that we can serve well, which means that we have historically had a very high average asset size per client and average revenue per client. We would not be able to have as high a professional-to-client ratio if we did not, so it benefits the firm and our clients. You want to be of service to as many people as you can, but we also feel that it's important for us to be focusing on what we're best at, and that would be working with clients with above a million in investible assets and who are current income earners. Frankly, we believe that that's one of the most underserved in the marketplace. Once they have accumulated over a million dollars in assets, they are likely looking over the edge of the horizon at their retirement and their challenges are more complex. They have multiple financial priorities, have accumulated dollars in multiple investment accounts and know that it could really create a problem for their financial future if they are not managed properly. This is what we are very good at and so we focus on that and it's a win-win for everyone.

A lot of firms over the past couple of years have raised their fees, in part to make up for lost assets. How do you decide when to raise fees, and how do you discuss this with your clients?

We have not raised our fee rate since the inception of the firm; what we have done is raised our minimum fee on assets. We don't have that disparity [in client assets] that's some firms have, so it has not been a big revenue boost to [raise the fee rate]. If you focus on what you do best, you don't have to worry about trying to fit a client in your paradigm, because there are plenty of clients out there who can pay those fees and fit in the paradigm. That's better than getting the business in the door and then figuring out how to make the client profitable. We might be having a different discussion today if we had not been able to grow by adding new clients and AUM. If we grow on a consistent

basis, it helps our ability to service clients at a very, very high level without having to ratchet up their fee rate.

Another trend we are seeing is firms' adding a business development officer to essentially serve as a rainmaker. Have you added a dedicated BDO to your staff or made any other changes to your internal staff as your firm has grown?

We do not have a dedicated business development officer, but we do have a very focused business development function among our client-servicing staff. We all have business development and networking responsibilities and accountability. It's not captured in one person, because our view has been that we've been able to combine firm outreach with internal servicing and marry the two concepts together. Going forward, it may make sense to have a business development officer; I come from an institutional management background where business development is the norm rather than the exception like it is in the RIA space.

We've also had a very clearly defined growth incentive program that includes bringing in new clients, growing existing assets and a servicing component. It's a multiple-layer incentive program. The incentive program makes sure that all of these facets work together, and it has helped getting all of us engaged and pulling in the same direction.

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