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Industry White Paper Series

# Focus Financial Group, LLC

*A Case Study in Using Investment Policy Statements*

## **Background**

As part of our commitment to providing tools, information and best practices to help financial advisors succeed, we are pleased to present the following case study that illustrates how Focus Financial Group, LLC has built a successful advisory practice and provides outstanding client service through the use of Investment Policy Statements (IPS) and the technology platform of IPS AdvisorPro®.

We invite you to learn more how your firm can benefit from the use of IPSs and the advanced technology of IPS AdvisorPro® at [www.IPSAdvisorPro.com](http://www.IPSAdvisorPro.com).

## **Introduction**

***“Our philosophy all along has been to build our firm around a financial planning process that is repeatable, scalable and provides the highest levels of client service and satisfaction.”***

**F**ocus Financial Group (FFG) is a thriving and growing independent financial advisory firm based in Bingham Farms, Michigan. Founded in the '90's, FFG has over 130 clients and \$55 million under management. With a small staff of two advisors and two support people, FFG relies on technology and operational processes to scale their business, while still providing the personalized touch that has set their business apart.

Led by President, Jim Mathias, ChFC, FFG specializes in comprehensive financial and investment planning for individuals, families and small businesses. “Our philosophy all along has been to build our firm around a financial planning process that is repeatable, scalable and provides the highest levels of client service and satisfaction,” notes Jim. “A key part of that approach has been the use of Investment Policy Statements (IPS) and cutting-edge operational technology systems and applications.”

## **Why Investment Policy Statements?**

***“Through the use of IPSs, our clients gain confidence in their investment and financial plans, even in today’s bad markets.”***

**E**arly on, Jim recognized that not only having IPSs for each of his clients was an industry “best practice” it has also been critical to their success in these current turbulent times in the markets.

In Jim’s words, “Through the use of IPSs, our clients gain confidence in their investment and financial plans, even in today’s bad markets. The key aspect as I see it is that there is a partnership between the IPS and the financial plan. They are both strengthened by each other and work hand in hand in implementing recommendations. We use a fairly sophisticated Monte Carlo analysis that educates clients as to the potential outcomes, including the probability of up and down markets, and how we will be investing for both good and bad times. Since we do not know the future, this approach provides a well thought out strategy for our clients and translates into fewer panicked phone calls.”

“Additionally, from my experience as an expert witness in arbitration cases, many claims that were in arbitration would not have happened, were there an

IPS in place. The majority of issues were around trying to remember what the intent of an investment was and with no documentation in place in the form of an IPS, it was very difficult to defend. So not only are IPSs critical for providing excellent service and education to our clients, they are also very important to provide a baseline of protection for us and our firm so that we are not exposed down the road should something happen.”

“Another key benefit is that when investment opportunities come along, we can quickly identify which clients are appropriate. For example, just this week our firm had access to a private placement for an excellent natural gas investment with a limited amount of shares available. Because we had IPSs in place for our clients, we were quickly able to see which clients would be appropriate for this alternative investment and their level of acceptance was immediate since we had already laid out for them that they needed this type of investment to satisfy their diversification and asset allocation recommendations. Without the IPSs in place, we would not have been able to move quickly enough to take advantage of these types of unique opportunities.”

## **The Process**

***“Having templates in place dramatically shortens the time it takes to develop an IPS for a client.”***

**F**ocus Financial Group uses a multi-step financial planning process that includes a financial plan for every client. If the client decides to invest with FFG, then an IPS is put in place. FFG uses Financeware as their financial planning software as it has a robust Monte Carlo analysis. From there, FFG uses IPS AdvisorPro® as the technology platform to customize IPSs for each client.

“One key aspect of IPS AdvisorPro® that we like is the ability to create templates for our various types of clients, whether they are individual accounts, trust accounts, etc.,” notes Jim. “Because IPS AdvisorPro® provides suggested wording and formats called templates; we can easily customize these upfront to fit our allocations, benchmarks, disclosure information and our investment process for working with clients. Having these templates in place dramatically shortens the time it takes to develop an IPS for a client. Once the client data has been entered by the support staff, I can polish off a 20 page IPS totally customized to our firms investment strategies and practices and specific to that client in roughly 15 minutes.”

As part of the process, Jim walks each potential client through the IPS before taking on their account so they become familiar with what an IPS is and why it is a key part of the process for managing their investments. Once the IPS has been created, FFG sends the client the IPS along with an extra set of

signature pages so that they can review and make any changes, or suggestions. The majority of the time the client accepts the IPS as is and then signs a copy and forwards to FFG for their files.

“I’ve heard from other advisors that they don’t like to burden their client with extra steps, added documentation and signatures, but from our experience, the IPS is really not an obstacle – in fact it shows the client that you are a true professional with clarity and transparency for how you will be managing their assets. Clients really do appreciate this and see it as an added service,” notes Jim.

## **Technology Approach and Selection**

***“We’ve completed over a hundred IPSs through IPS AdvisorPro® and consider it a foundational part of our infrastructure and workflow.”***

**F**ocus Financial Group prides itself for its technology expertise. “I’m somewhat of a tech-geek,” admits Jim. “But I really don’t see how anyone can succeed in our business today without a strong technology backbone and infrastructure. In order for us to scale our business, we need the best technology available and are always looking to automate processes wherever possible.”

FFG took an in-depth review of various resources for developing their IPS process, including Excel spreadsheets, Word documents, books, even asset allocation modeling tools and other applications. “We were very excited to learn about IPS AdvisorPro®,” noted Jim. “Our goal is to streamline our workflow and having an online application that we can customize to meet our specific needs was critical to our success.”

“We use 6 profiles for our asset allocation recommendations, from capital preservation to aggressive growth. IPS AdvisorPro® had a number of benchmarks for us to select from and after extensive research, we found that the benchmarks that we were looking for were included in the tool. This was very important as now we don’t have to maintain these benchmarks and update our models on a quarterly basis – the system does it automatically.”

“Additionally, the ability to customize the templates and personalize them up front so we do not have to re-invent the wheel each time has dramatically reduced the amount of time it takes to create an IPS. We’ve completed over a hundred IPSs through IPS AdvisorPro® and consider it a foundational part of our infrastructure and workflow.”

## **Conclusion**

***“To succeed in today’s environment, you really need to show your added value and demonstrate to your client what is important”***

**W**ith over 33 years of experience in the financial services industry in a variety of roles, Jim has a wealth of knowledge regarding the delivery of financial advice. “To succeed in today’s environment, you really need to show your added value and demonstrate to your client what is important,” concludes Jim. “We’ve been able to do this successfully by building an investment and financial planning process that is repeatable, scalable and defensible.”

“I recommend that when embarking on this journey, that you spend the time up front to get it right and invest in your processes and operations. If you are doing something different for each and every client, then it will be very difficult to remember why certain things were done and you will be creating more work for yourself down the road.”

“You can still provide personalized service to each and every client, but in order to grow and continue to provide that high level of service, you need to incorporate technology and standardize your approach. Investment Policy Statements and IPS AdvisorPro® are a great example of the combination of those aspects.”

## **About IPS AdvisorPro®**

**C**reated by financial advisors for financial advisors, IPS AdvisorPro® is designed to work with all types of wealth management professionals and their practices. IPS AdvisorPro® offers a flexible solution to creating and managing Investment Policy Statements that are easy to use through an encrypted, secure web-based environment. With over 1,000 users and 10,000 IPSs created, IPS AdvisorPro® is the industry's leading technology solution. IPS AdvisorPro® was named in 2006 by Morningstar as the "Software of the Year." For more information, please visit [www.IPSAdvisorPro.com](http://www.IPSAdvisorPro.com)

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